Economics, Labor & Business

Togetherness at the Top

"When Two (or More) Heads Are Better than One: The Promise and Pitfalls of Shared Leadership" by James O'Toole, Jay Galbraith, and Edward E. Lawler III, in *California Management Review* (Summer 2002), Univ. of California, F501 Haas School of Business #1900, Berkeley, Calif. 94720–1900.

In the popular mind, and in Wall Street's, too, business leadership almost invariably comes in the form of a single dynamic individual—a Jack Welch or a Bill Gates. In reality, say the authors, shared leadership is common, and often more effective than the solo sort.

Running a large corporation these days frequently calls for more skills than any one person is likely to have, observe O'Toole, Galbraith, and Lawler, researchers at the Center for Effective Organizations at the University of Southern California. Since World War II, the trend "has been away from concentration of power in one person." This is reflected in—and also obscured by—the profusion of titles that have appeared at top corporate levels: chairman, chief executive officer (CEO), chief operating officer (COO), and the like. Sometimes, the joint leadership is undisguised. The Amana Corporation, with business units in areas as different as farming and tourist services, divided leadership along industry lines among four coequals in 1995, and only then began to make steady profits.

Shared leadership, the authors point out, can come about in different ways: "from corporate mergers of equals, from cofounders, from the practice of two individuals sharing jobs, and from invitations from sitting CEOs to share power." Corporate mergers seldom produce successful teams at the top. Cofounders of a firm at least have chosen each other, but they, too, "often fail as coleaders because the skills needed to start a company are not the same

EXCERPT

Wall Street Socialism

Even the joys of Pentagon contracts negotiated by marketing vice presidents who used to be air force generals pale next to the achievements of the newest form of unfree enterprise: bailouts, the collectivization of private risk, and the emergence of a financial sector better protected by government rescues, preferences, and guarantees than manufacturing ever was by tariff protection. Milton Friedman has made the point that finance has flourished because it is protected by the Federal Reserve and is not allowed to fail.

Suffice it to say that without these ideological perversions and mutations, bank, stock market, and hedge fund failures would have occurred on a level—let us call it the free market in action—that would have made the stock market bubble impossible. . . .

Ironically, back in the early 1980s, center-Left strategists like Robert Reich, recently Clinton's labor secretary, endorsed the idea of a so-called Industrial Policy, by which government aid, strategy, and benign regulation would be used to promote the embattled manufacturing sector. It was dismissed by critics contemptuous of "lemon socialism."

What to make, then, of lemon financialism—"Wall Street socialism"? One would think this would be the battle cry of every American conservative who had ever read Friedman, Schumpeter, or Hayek. Instead, the conservative establishment gave it a wink, if not a salute.

—Kevin Phillips, author of *Wealth and Democracy* (2002) and a key political strategist for Richard M. Nixon, in the premier issue of *The American Conservative* (Oct. 7, 2002)

as those needed to run it." One exception is the case of William Hewlett and David Packard: Hewlett became the "heart" of their business machines firm, while Packard was "the hard-nosed businessman."

Even Welch and Gates came to share power with others. In his two decades at the helm of General Electric, Welch had two or three vice chairmen ("elder statesmen") in his office to complement his own skills. At Microsoft, Gates turned over his CEO job to collaborator Steve Ballmer but remained chairman of the board and head of software research.

Dividing responsibilities may be the easy part. The bigger challenge, say the authors, is deciding how to split the credit. "Coleadership has worked at Intel and TIAA-CREF because executives . . . are able to share the credit, and it has failed at Disney and Citigroup because of the egos rampant in the executive suites."

The Right to Bear Checks

"Why Do We Use So Many Checks?" by Sujit Chakravorti and Timothy McHugh, in *Economic Perspectives* (2002: Third Qtr.), Federal Reserve Bank of Chicago, 230 S. LaSalle St., Chicago, Ill. 60604–1413.

Every month in the United States, more than 15 checks per person are written. That's more than three times the number in Canada and at least 15 times the number in Italy and several other European countries. What happened to America's commitment to the brave new checkless world?

Checks may be less efficient than electronic payments, according to Chakravorti and McHugh, a senior economist and a senior analyst, respectively, at the Federal Reserve Bank of Chicago, but American consumers don't see much individual benefit in quickly switching to the new format. While credit cards are now more popular than checks for point-of-sale transactions, total check volume went *up* in America during the 1990s, while it declined in most other industrialized countries. Of the nearly 50 billion checks written in the United States in 2000 (total value: $48 trillion), consumers wrote slightly more than half.

Consumers perceive each check as virtually free. Instead of per check transaction fees, most prefer bank accounts with fixed monthly fees, or minimum balance requirements and no fees. In any case, the costs are hidden. Checks are easy to use, widely accepted, and provide more control over the timing of payments, permitting better budgeting.

With the rapid increase in the use of check verification systems, most merchants now have little reason to stop accepting checks. The systems cut the cost of accepting checks to 60 cents per $100 of sales, which is less than for any other form of payment, including credit cards ($1.80) and even cash (90 cents).

And check services are a big business for financial institutions. "On average, they charge customers 21 cents and merchants five cents to process each check." In 1995, they collected $8.1 billion in fees for bounced checks while losing only $400 million on bad checks. Even if banks wanted to discourage check usage by imposing a small fee for each check (as Norwegian banks did, thereby cutting check usage about 90 percent), competitive pressures might keep them from doing so. There are a few signs that consumers may be changing, but most seem to act as if the only way anybody will get their checkbooks away from them is by prying them from their cold, dead fingers.

SOCIETY

Debating the Black Family

A Survey of Recent Articles

The charge was to explore, in the words of *Salmagundi* (Winter–Spring 2002) editor Robert Boyers, "the situation of Afro-America," or, in Harvard University sociologist Orlando Patterson's more specific ones, "the gender, family, and sexual problems of