conflict, the quest for profits "undoubtedly wins over principles." She thinks that government should exert more oversight of corporations.

But trying to prove that corporate social responsibility consistently benefits the bottom line would be as pointless as trying to show that advertising does, says Vogel. Moreover, social responsibility may work for some firms but not for their competitors. The market niche for relatively responsible firms may be limited. And a responsible firm's success isn't guaranteed to last. Even some celebrated exemplars, such as Ben and Jerry's and Body Shop International, have run into financial difficulties lately. There's a place in the business world for socially responsible firms, concludes Vogel, but "this place is at least as precarious and unstable as [that] for any other kind of firm."

ECONOMICS, LABOR & BUSINESS

Age of the Oligarchs

THE SOURCE: "Corporate Governance, Economic Entrenchment, and Growth" by Randall Morck, Daniel Wolfenzon, and Bernard Yeung, in ***Journal of Economic Literature***, Sept. 2005.

THERE'S A FUNDAMENTAL REASON WHY the United States suffers more than its fair share of Enron-like corporate scandals—and it's not that American executives are greedier than others. The ownership of big U.S. companies is dispersed among many stockholders, leaving effective control of the corporation—and greater potential for hanky-panky—in the hands of top executives. In virtually every other country in the world, corporate ownership is much more concentrated, and that creates problems of its own.

In Sweden, the Wallenberg family controls roughly half the total market capitalization of the Stockholm Stock Exchange, report Randall Morck, of the University of Alberta, and Daniel Wolfenzon and Bernard Yeung, both of the Stern School of Business at New York University. Italy's Agnelli clan controls 10.4 percent of that country's market capitalization. The 10 wealthiest families control 19 percent of corporate assets in Austria, 29 percent in France, 21 percent in Germany, and 11 percent in Spain. A study of East Asia reveals equally dramatic levels of concentration. The top 15 families control corporate assets worth 84 percent of the gross domestic product in Hong Kong, 48 percent in Singapore, and 39 percent in Thailand.

What's most distinctive about foreign corporate structures, the authors say, is that the families *control* much greater assets than they actually *own*. They do so through "control pyramids" and other devices. In a highly simplified example, a family may operate a single holding company worth, say, \$1 billion, which owns 51 percent stakes in two other \$1 billion companies. The clan uses its control of the two firms, with a total value of \$2 billion, to get each to acquire 51 percent stakes in two other companies, and so on. Thus, the clan's original investment can be leveraged many times over. Family members often cement their authority over firms farther down in the pyramid by installing relatives as executives.

Concentrated corporate control can have serious "economywide implications," the authors say. Wealthy clans use their power to buy political influence and protect the business status quo. As corporate proprietors who are interested in filling the clan coffers rather than in benefiting large numbers of stockholders, they can "bias capital allocation, retard capital market development, obstruct entry by outsider entrepreneurs, and retard growth." A bank that's enmeshed in a pyramid may, for example, be required to make loans to other pyramid members that wouldn't qualify in a free market or to offer very favorable terms. Or a clan may channel funds from one firm in the pyramid to another ailing firm—or to the family bank account.

It's impossible at this point to estimate what concentrated corporate control costs the world's economies, the authors say, but they seem to think that "scandalous" will someday prove an apt description.

ECONOMICS, LABOR & BUSINESS

Mysteries of Corruption

THE SOURCE: "Eight Questions About Corruption" by Jakob Svensson, in ***Journal of Economic Perspectives***, Summer 2005.

CORRUPTION IS THE NEW BÊTE noire of the globalized world, yet there's a surprising degree of uncertainty among specialists about its costs and cures.

There's even some doubt that corruption causes great harm to national economies, reports Jakob Svensson, an economist at the World Bank and Stockholm University. Scholars have yet to turn up much systematic evidence of the harm, and some, notably Harvard University's Samuel Huntington, argue that bribery and other shady practices have a bright side, helping firms operate efficiently in countries hampered by heavy-handed bureaucracies. "China has been able to grow fast while being ranked among the most corrupt countries," Svensson notes.

Bribery, embezzlement, and other forms of corruption cost the world $1 trillion a year, by one estimate. (If ill-gotten gains are put back in circulation rather than stashed overseas, corruption's economic damage may be blunted.) Grotesque examples of corruption are legion. In Angola, where most people live on less than $1 a day, nearly $1 billion in oil revenues vanished from state coffers in 2001—three times the amount of all the humanitarian aid the country received from abroad. Corruption also distorts economic incentives. Studies show, for example, that in sub-Saharan Africa peasant farmers avoid rapacious officials "by taking refuge in subsistence production," thus sacrificing productivity and living standards. Some firms inevitably specialize in gaining competitive advantage through political connections—a further drag on economic efficiency.

Some scholars argue that bribery and other shady practices can help firms operate efficiently in countries hampered by heavy-handed bureaucracies.

Research generally confirms the commonsense proposition that corruption is greatest in countries with low levels of income and education. But there's still great variation. Argentina, Russia, and Venezuela all rank relatively high in income, education, *and* corruption. Svensson adds that researchers have not produced much systematic evidence for the notion that history, culture, and religion are very influential—that former French colonies in the developing world, for example, have more regulation and therefore more corruption.

What can be done? "Most anticorruption programs rely on legal and financial institutions—judiciary, police, and financial auditors—to enforce and strengthen accountability in the public sector," notes Svensson. But in many poor countries, those very enforcement institutions "are weak and often corrupt themselves." Pouring more money into them doesn't seem to help. Another favorite prescription of aid donors and international organizations is to pay higher wages to civil servants. But that works only if enforcement institutions are strong.

Svensson's own research suggests that the most corrupt countries are those that also most restrict economic activity and the news media. Selective deregulation of the economy, depriving bureaucrats and politicians of the leverage to extract payoffs, is one promising avenue of reform. Grass-roots monitoring is another. Between 1991 and 1995, local officials and politicians in Uganda siphoned off all but 13 percent of the grant money primary schools were supposed to receive from the central government. When Uganda's government began publicizing the monthly transfer payments to the schools in newspapers, parents and school staff were able to act. In 2001, the schools got 80 percent of the money earmarked for them.

SOCIETY

The Tyranny of Cheer

THE SOURCE: "From Good Cheer to 'Drive-By Smiling': A Social History of Cheerfulness" by Christina Kotchemidova, in ***Journal of Social History***, Fall 2005.

FORGET THE EAGLE. AMERICA'S national symbol should be that yellow smiley face reproduced on everything from T-shirts to Wal-Mart billboards. As an outgrowth of its capitalist emphasis on individual self-worth, America has developed a national ethic of cheerfulness, writes Christina Kotchemidova, a culture and communication instructor at New York University.

We didn't always walk around with smiles on our faces. Early in American history melancholy prevailed, just as it did in Europe. Traditional Christianity promoted suffering as a path to spiritual refinement. Patience was definitely a virtue—especially since little could be done about perceived injustices in the early-modern Anglo-Saxon world.

But with the rise of the American middle class in the 18th century came