Structural Differentiation, Efficiency and Power

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The theory of structural differentiation, long a major conceptual tool of the study of social change, is critically reviewed. The link between differentiation and efficiency advantages involves a number of unresolved problems. In addition, past differentiation theory paid too little attention to actual processes of differentiation as well as de-differentiation. Both sets of problems can be tackled better if power constellations and power interests are systematically introduced into the analysis of differentiation and de-differentiation.

Division of labor, specialization, the structural differentiation of functions—these concepts have served as conceptual tools for the study of social change since the very beginnings of modern social theory. In spite of this long history, our understanding of structural differentiation is rather poor, so poor in fact, that a theory of structural differentiation is still more a goal than an accomplished reality. What is presented as the theory of differentiation consists largely of either concept formulations or descriptive generalizations about tendencies toward greater social complexity in long-term historical developments.

In particular, past and present theories say little about the causes of structural differentiation. More attention has been paid to its consequences, especially after Marx joined the debate, although his concern with the relation between the division of labor and changes in the class structure has since receded to the background. Instead, Durkheimian interests focusing on problems of moral integration and anomie assumed a central role in recent theoretical work on structural differentiation (see Eisenstadt 1964; Smelser 1963; Parsons 1961, 1966). Significantly, the most important causal arguments are of the functional type, that is, an analysis of the consequences of differentiation serves as the basis for an indirect causal explanation. This model plainly requires a careful study of "feed-back mechanisms" or "causal loops," which link the effects of differentiation to its causal conditions, a requirement that often has been either neglected altogether or fulfilled by global assumptions only. In this essay I shall identify some of the critical problems of the prevailing functionalist approaches, which are built on asserted links between differentiation and efficiency, and argue that a causal analysis of actual

1 I wish to thank Mark Elchardus, Josef Gugler, George C. Homans, and Martin U. Martel for critical comments and suggestions.
processes of differentiation can be advanced significantly by focusing on the role of power.\(^2\)

I

“Structural differentiation is a process whereby one social role or organization . . . differentiates into two or more roles or organizations. . . . The new social units are structurally distinct from each other, but taken together are functionally equivalent to the original unit.” Smelser’s definition (1959, p. 2; 1963, p. 34), shared with certain variations by most recent theoretical analyses, establishes a concept significantly more inclusive than the older “division of labor”: It does not limit itself to the economic sphere, and it deals with more complex structural elements than roles—with organizations and on occasion with even broader and less tangible phenomena such as institutions, values, and cultural complexes. While there is considerable merit in this broader concept, which derives from Spencer, it requires further theoretical distinctions. For instance, it is necessary to recognize that differentiation at the level of roles can go hand in hand with an agglomeration of functions at the level of organizations or broader institutional complexes, and vice versa.

For Smelser, and to an even greater extent for Parsons (1961, 1966, 1971) the “structural differentiation of functions” is part of an elaborate and complex conceptual framework which relates different structural forms and the functions they serve to a catalog of structural components and functional problems inherent in a postulated model of society conceived as a system with different levels and kinds of subsystems. This framework helps to solve important analytic problems. For instance, it aids in identifying and distinguishing different functions and in assessing which seemingly diverse efforts are in fact serving the same function—are “functionally equivalent.” In this framework any particular function is analytically specified by its relation to an inclusive system or to one of several subsystems, each with its special set of functional problems.

A major shortcoming I see in this very ambitious attempt at theoretical conceptualization is that the transition from abstract analytic definitions to concrete structures and processes, often empirically identified in terms of prevailing social rather than theoretic sociological definitions, remains a difficult and uncertain undertaking, in which common sense and even

\(^2\) There is no space here to trace the theoretical antecedents of relating the division of labor and organization to power structures and power interests. Important leads, though of a quite different nature, are found in the works of Karl Marx, Ludwig Gumplowicz, and Max Weber. My own thought is indebted to Lenski’s comparative analysis of power and stratification (Lenski 1966) and, more generally, to the work of Talcott Parsons.
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arbitrary decision too often have to complete the "translation." For this and other reasons, I prefer in this essay to work with a much simpler and less demanding theoretical scaffolding. Rather than ground every assessment of functions in theoretically postulated functional needs of "society" and its subsystems, I shall speak of problems identified and defined by the needs, interests, and expectations of different constituencies, which may or may not overlap in their composition and agree in their determination of the problems. These problems are dealt with by roles, organizations, and organizational complexes in more or less differentiated or aggregated fashion. Although this strategy leaves unsolved important problems of comparability of different concrete structures and "functional" problems, it does allow us to tackle a number of crucial theoretical issues without the encumbrances of a comprehensive analytic model of society. When faced with certain questions of determining and classifying problems and structures, we may still borrow from the more comprehensive analytic frameworks developed by Parsons and others.

In an earlier publication (Rueschemeyer 1974), I reviewed critically the current state of the theoretical analysis of structural differentiation. Here I shall discuss only one major tenet of past and present theories, the alleged link between differentiation and efficiency advantages; reviewing the shortcomings of what might be called the efficiency theory of differentiation will serve as an introduction to the arguments about the role of power in processes of differentiation and de-differentiation.

II

Since Adam Smith, it is above all the increase in efficiency attributed to specialization which has served as an indirect causal explanation of structural differentiation of social roles and organizations. The connection between structural differentiation and efficiency is not a simple matter. Its major aspects can be stated in several propositions: (1) Separating organizationally instrumental tasks and interests from other human concerns makes it possible to arrange things more single-mindedly for a rational pursuit of chosen ends. This is of fundamental importance because roles, relationships, and organizations best suited for "getting things done" are by no means optimal for other universal and, at least in the long run, equally urgent human interests—for enjoying the fruits of one's labor for instance or for getting along with one another, for bringing up children, and perhaps for coming to terms with fundamental problems of meaning and motivation. (2) Specialized executive roles are an important means for reaping the benefits of further specialization of instrumental roles to be indicated below. Such roles integrate the differentiated
parts and are the major locus of the social control of performance and of organizational planning. (3) Delimiting tasks narrowly and clearly facilitates the evaluation of performance. This in turn allows rewards and punishments to be tied more closely to the work done and provides a better basis for prediction of performance, thus aiding in more rational hiring and allocation of personnel. (4) Separating simple from complex tasks permits economies in training and recruitment. The efficient use of the untrained and the less gifted may be as important as or even more important than the opening of greater opportunities for the able.3 (5) Dividing instrumental tasks further and further makes concentration on a few activities possible—a form of differentiation with obvious, but easily overrated, efficiency advantages. (6) Once the principle of a division of labor is fully established, it becomes possible to conceive of roles and organizations as building blocks to be used in rational organizational architecture. This makes organizations more adaptable to a changing environment and to technological innovations.

While these propositions are plausible, they should not, as is often done, be regarded either as established or as a complete analysis of the problem. First, these propositions must be tested systematically with the goal of identifying specific conditions particularly favorable or unfavorable to the different efficiency advantages. Second, a more complete analysis would take into account competing hypotheses about certain “costs” of differentiation which may arise out of the need for integrating more differentiated units, for instance, or from the problems of morale and motivation induced by high levels of specialization. The balance of these costs and gains in regard to efficiency may be positive or negative, depending on different environmental, technological, and sociocultural conditions. A crucial third set of questions would ask how different outcomes in terms of efficiency in turn affect the conditions furthering or inhibiting differentiation. Rational planning on the basis of past experience, differential survival of various competing social arrangements, and diffusion, which may or may not be based on rational understanding, are the major links between the outcomes and the conditions of differentiation implied in recent theoretical formulations; but the circumstances under which these “feed-back

3 W. J. Goode (1967, p. 17) has argued that “the modern system is more productive because its social structures utilise the inept more efficiently, rather than because it gives greater opportunity to the more able.” The interrelations between different aspects of differentiation and its consequences are more complex than this assertion of Goode indicates. The level of competence and incompetence in various strata is in part a function of previous developments of differentiation. The thrust toward a division of tasks indicated in the two previous and in the following points is likely to debase and to limit the competence of many individuals. The “production of the inept” is as important a topic as their subsequent, and often quite limited, protection and efficient use. I wish to thank Mark Elchardus for his insistence on this point.
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mechanisms” work and the ways in which they influence each other are not at all well understood.

There is, however, a more fundamental problem that plagues all arguments about increased efficiency or “adaptive capacity” in the operations of collectivities. Any judgment about efficiency hinges on a given set of ranked goals and on a given evaluation of alternative means to reach these goals. What is efficient in terms of one preference structure may be wasteful by other criteria. Not only different cultures, but lord and serf, entrepreneur and worker, executive and employee, as well as many other social categories, differ fundamentally in their evaluations of the price paid and the advantage gained with a new arrangement of their social relations; and since preference structures and cost-benefit calculi vary, what efficiency means is always and inevitably determined by varied interests and value commitments.

Once this formal character of the concept is recognized, efficiency cannot serve the central role in a functional explanation of structural differentiation it has been assigned in the past. The indeterminacy of an abstract cost-benefit calculus is much too complex an issue to allow here even a brief review of the various attempts to come to a theoretical solution. I will content myself with the simple assertion that neither the discussions of welfare economics (see Arrow 1951; Mishan 1968) nor the strategy in social theory, argued by Talcott Parsons since the *Structure of Social Action* (Parsons 1937), of looking for shared goals and standards of evaluation in systems involving a plurality of actors, has succeeded in resolving the basic problem. Neither approach has led to solutions suitable to dispose of the indicated critique of an explanation of structural differentiation in terms of increases in the efficiency or “adaptive capacity” of whole economies and societies.4

These difficulties can be reduced considerably, though not eliminated in principle, if it is possible to identify in a given social context structural positions with disproportionate power, for power is by definition a chance

4 It may be noted in passing that the implications of the critical argument advanced go far beyond the theoretical issues under discussion. Another conclusion would be, for instance, that the use of data on the gross national product (GNP), standardized in relation to population size or other economic resources, is a highly problematic means for comparing the efficiency of different economies, developed or underdeveloped, capitalist or socialist. The prices used in these aggregate calculations are the result (1) of complex need patterns backed up by differential income, (2) of diverse market conditions which are based on different institutional arrangements and on the differential power of various economic groups, and (3) of political and administrative decisions which play a different role in different economies. This is not even to mention that many aspects of human welfare do not enter the economic price calculus at all and that the borderline between conditions that are and those that are not expressed as priced costs and as incomes varies considerably from economy to economy.
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greater than others' to realize one's goals even against resistance, and a large share of power concentrated in the hands of individuals and solidary groups with similar preference structures therefore implies that a certain type of cost-benefit calculus gains a disproportionate influence on what happens in the situation. The interests and reactions of the most powerful are thus a point of great leverage for any analysis of this kind. They are in fact treated in such a manner in many studies, but the strategy typically remains implicit and does not receive adequate theoretical recognition. For instance, in his analysis of the industrial revolution in the British cotton industry, Smelser (1959) makes "dissatisfaction" the first of several phases in a development of structural differentiation without specifying theoretically whose dissatisfaction is relevant. In the empirical application of the theoretical framework this turns out to be the dissatisfaction of the early entrepreneurs and shop owners. Eisenstadt comes closest to the position advocated here. In his comparative analysis of premodern bureaucratization (1963) he focuses on the interests of the ruler, of the aristocracy, and of urban groups, which gain importance and power with the advance of market exchange and bureaucratic rule.

The structure of theoretical reasoning may very well—though it need not—remain functionalist in character, taking off from efficiency gains and other consequences of differentiation and then seeking to identify links between these consequences and conditions favorable or unfavorable for processes of differentiation. The points of reference of the analysis, however, are strategically altered by focusing on the powerful. The preference structures relative to which the consequences of differentiation can be analyzed become thereby more amenable to analysis. The unmanageable complexity of an endless variety of preference structures is reduced to a few patterns of interest and valuation. Furthermore, the behavior and even the attitudes and sentiments of the more powerful are better documented in the historical record than the behavior and attitudes of common people, an obvious advantage for any investigation of long-term social change, which almost by necessity must make use of historical sources.

Of greater theoretic interest is the fact that it appears possible to predict some of the interests pursued by the powerful; this endeavor would increase the explanatory power of the analysis considerably. It seems reasonable to assume, though this need not remain an untested assumption, that those in positions of power will seek to maintain their advantage and under certain conditions even attempt to increase it. It has been argued against this proposition that the assumed tendency depends on the total

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5 For the present purpose, it seems reasonable to use this general definition of power, which goes back to Max Weber ([1921] 1968, p. 53). Later his more specific concept of "domination" or "authority," defined by the probability that a command will be obeyed, will be used primarily.
balance of benefits and costs experienced by incumbents of power positions as compared to their life chances when out of power and that this balance varies with different circumstances in ways not easily predictable.\(^6\) No doubt the proposition can and must be further refined and specified as to varying conditions. Yet as a rough generalization it seems established that differential power tends to be associated with differential advantages of other kinds. In addition, those in power will often think and act in terms of positional—in contrast to, and in addition to, personal—interests, strengthening a concern with maintaining their power resources. Finally, for all analyses involving large numbers of individuals and groups in positions of power, one can advance the statistical argument that the proportion of those who seek to maintain and extend their advantage will be increased by virtue of the fact that they have a better chance of remaining in power positions than those who make no such efforts. This argument merely presupposes that power can vanish if not taken care of and that attempts to husband and extend one’s power resources have some effects in the intended direction. Clearly the powerful will pursue other interests as well, and a concern with maintaining their power resources is inevitably only one of several interests. However, to identify even one substantive interest that is relatively stable and relevant for policy and large-scale change is an important theoretical gain.

The study of the “causal loops” linking the consequences to the conditions of differentiation is also simplified by the approach suggested. Not only are the intentional reactions to perceived consequences stronger if one focuses on the powerful; one can also exclude a number of effects from the analysis because in many instances the powerful will not suffer—and thus count as “costs”—the consequences of their policies. Increased monotony of work or heightened job insecurity, for instance, have been of little concern to entrepreneurs unless worker morale or the politics of labor relations seemed affected. Finally, one can at least speculate that there is a correlation between holding positions of power and tending toward rational action, that is, action based on a review of goals and means in the light of one’s basic preferences and the best information available about the consequences of alternative courses of action. Rational action in this sense represents an important causal loop which links possible and actual consequences of differentiation to the condition of its development.

Focusing on phenomena of power in the study of structural differentiation, then, leads out of the impasse that results for the prevailing functional approach from the formal character of the concept of efficiency, it simplifies the empirical investigations required, and it increases the explanatory

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\(^6\) George C. Homans raised this objection when an earlier version of this paper was presented to a colloquium at Harvard University in 1974. I am grateful for having been pressed to clarify my underlying arguments.
power of the theoretical analysis. This strategy also holds great promise for a better understanding of differentiation on other grounds. The distribution of power resources and the substance of power interests are, I submit, a major causal determinant of the actual social changes involved in differentiation. In the past, the role of differentiation in broad patterns of general evolution often received the greatest attention. This has muted questions concerning the immediate causal circumstances and the actual processes leading to various types of differentiation. Furthermore, concentrating on the assumed "fact that the division of labor advances regularly in history," theorists have often failed to study the obstacles which must be overcome in processes of differentiation. A comprehensive analysis of both favorable conditions and obstacles plainly is required for a better understanding of how differentiation comes about. In this, considerations of power should have a central place. A related problem area neglected in past research is the analysis of instances of "de-differentiation," of processes in which previously separate roles or organizations are fused to deal with a broader set of problems. Investigation of this area, too, has been hindered because theoretical inquiry has concentrated on the broad pattern of advancing differentiation in western history. Studying both differentiation and de-differentiation within the same theoretical framework seems a promising strategy for understanding better the immediate causes and processes involved in either development, and it is my thesis that power interests and power resources play an important role in both.

Changes in the social division of labor have often been regarded as major determinants of other changes in the social structure, including the structure of power. In fact, the division of labor and, more broadly, the "relations of production" have been viewed as the aspect of social structure through which environmental factors, technological developments, and population change result in changes in other features of the social organization of human life. The analytic strategy proposed here does not intend to reverse this model and assert that social power is the master variable controlling all social change or all aspects of structural differentiation. That would mistakenly equate social power with social causation, and it would negate the interconnections between structures of power and cultural, social-economic, and environmental factors. What I do assert,

7 To cite the words of Durkheim ([1893] 1964, p. 233), as one example among many, "What causes have brought about the progress of the division of labor? To be sure, this cannot be a question of finding a unique formula which takes into account all the possible modalities of the division of labor. Such a formula does not exist. Each particular circumstance depends upon particular causes that can only be determined by special examination. If one takes away the various forms the division of labor assumes according to conditions of time and place, there remains the fact that it advances regularly in history. This fact certainly depends upon equally constant causes which we are going to seek."
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however, is that the distribution of power resources and the interests and actions of the powerful, though themselves dependent in the long run on other circumstances, are among the major factors determining how a given pattern of social organization responds to changes beyond its immediate institutional control. Power variables may have long-term effects of their own, too, provided that there is sufficient continuity in the structures of power and the associated policy propensities. I have suggested elsewhere (Rueschemeyer 1974) that the interests of the powerful in maintaining their position seem to be sufficiently similar in different societies and periods to result in a stable core of interests despite elite turnover and structural change. In analogy to the notion of a \textit{raison d'état} one might speak of a \textit{raison d'élites} to designate this similarity in all but the least complex societies.

In the remainder of this essay I shall seek to demonstrate the utility of considering power variables in the analysis of differentiation and de-differentiation. First I shall discuss how power interests affect processes of differentiation within a unified sphere of organized domination. The next section will consider interactions of relatively independent centers of power and their impact on the division of labor and organization, while a third section is concerned with de-differentiation as a function of power structures and interests. I shall concentrate throughout on selected instances and themes that appear particularly suited to elaborate and specify the general argument.

III

Structural differentiation pursued by power holders in their own sphere of authority represents the simplest form of an interaction between structures of power and processes of differentiation. It comes closest to the model based on efficiency because the interests of the ruler suffer little interference and thus provide a relatively unambiguous and stable point of reference relative to which effects of different policies and developments can be assessed. In fact, the counterpart of the political ruler in the economic sphere, the capitalist entrepreneur, provided the model for what was generalized in economic and social theory as the efficiency perspective on differentiation.

There is good reason for the hypothesis that some form of organized domination is, in evolutionary terms, a necessary condition for developments that go beyond the most elementary division of labor built on differences of age and sex and on the organization of family and kinship.\footnote{It is worth noting that two theorists as different as Gerhard Lenski and Talcott Parsons assign a similar importance to the emergence of organized domination for the evolution of a more complex division of labor (see Lenski 1966 and Parsons 1964).} Aside
from the efficiency advantages of specialized executive roles noted earlier, the crystallization of positions of social authority separate from kin and family roles establishes certain preference structures as stable standards for judgment and action, and it creates an instrument for the accumulation of capital as well as the aggregation of demand—two important requisites for all roles that serve specialized goals and do not immediately secure their incumbents' livelihood.

One incentive for rulers\(^9\) to move toward a division of labor and organization in their own household and staff derives from the gains in efficiency this may bring about. Another set of considerations involves the advantages and disadvantages differentiation has for maintaining and expanding the power of those in charge.\(^{10}\) These latter effects of differentiation are specially relevant for political rulers, but they are of some importance for incumbents of any position of hierarchical leadership and control. Both considerations may lead to the same conclusion as, for instance, in the case of closer evaluation of performance and stricter work discipline as a result of specialization. Of more theoretical importance are those cases in which the conclusions do not coincide. Such a divergence has two primary sources. First, division of labor and organization often leads to problems of supervision and control of the more specialized staff and, second, its direct and indirect effects may erode the bases of authority of the ruler in the wider society. Each problem will be discussed in turn.

Beyond some point of differentiation, increases in the number of specialized roles (as well as the often-correlated increases in the number of people and the scope of operations involved) require a division and delegation of authority because one person, family, or clan is no longer able to cope with the problems of supervision, discipline, and direction. Delegation of authority, however, creates problems for continued central control. An increased number of specialized roles often entails the subdivision of organizations; this in turn is likely to aggravate control problems and jeopardize the power of the ruler. Moreover, higher levels of organizational and technological complexity require specialized skills and

\(^9\) The following discussion will deal primarily with the political realm. On occasion it will turn to the economic realm in order to pursue important similarities and analogies. Thus, the term "ruler" is used primarily in the narrow political sense, but is on occasion broadened to mean any incumbent of a position of organized domination.

\(^{10}\) One can never assume that complex objective cause-effect relations are fully understood and foreseen by the actors. However, important as the exact role of knowledge and ignorance may be as a subject for research, here we will neglect the resulting variability and postulate that a combination of factors will make for a rough correspondence between the interests of rulers and prevailing policies. Among these factors are: (1) some foresight about alternative courses of action, intuitive as well as rational; (2) a knowledge and partial imitation of the policies of successful others; and (3) the elimination or reduction in number and importance of those least successful in the choice of their policies, provided the analysis covers large numbers and a sufficiently long period of time.
knowledge in certain positions, and this development, which is more important as more knowledge is used in actual operations, has similar consequences. Those in positions of power become dependent on specialists who are much harder to control than those whose work is open to common-sense evaluation.

Broadly, one can distinguish three outcomes of this dilemma. First, the rulers may shy away from a further division of labor and organization because of the problems indicated, or they may fail in their attempts to cope with them and lose much of their power. Since their power was the aggregating factor on the basis of which further differentiation became possible, the latter alternative would most likely also arrest the process of differentiation. The repeated centrifugal tendencies of European feudalism may serve as a well-known example of such an arrest of structural differentiation. Any systematic investigation of the history of business firms, especially in the early phases of modern economies, would probably turn up many illustrations of an unwillingness to engage in a division of authority.  

Second, the ruler may be able to cope with the problems of control by a variety of complex additional arrangements of supervision and discipline. If we take the government of 18th-century Prussia as a case in point, these measures include the establishment of collegial authority, which diffused responsibility but allowed for multiple lines of information to the center and for mutual control, the development of a bureaucracy paralleling others with a primary task of spying, inspection, and control, and the recruitment of certain officers with an eye as much to loyalty as to ability and expertise. As quite costly arrangements, these measures can weigh heavily on the negative side of an efficiency analysis, but

11 One component of the famous argument that French family firms contributed to a retardation of the French economy (see Landes 1951; for a skeptical view, see Kindleberger 1963) revolves around the desire for family control. The controversy surrounding this thesis concerns the long-term stability of behavior patterns of family firms and their effects on economic retardation; less in question is the fact that for a long period problems of control restrained growth and division of authority. Less well known are similar findings about West African entrepreneurs (Garlick 1971, p. 139; Kilby 1965, pp. 85 f., 101, 111, can be interpreted along the same lines). To add one more example to the list, an unwillingness to risk changes in traditional relations and in the structure of power, which outweighs fairly obvious advantages for productivity, seems the key to an explanation of the economic inefficiencies of Latin American latifundia run by absentee landlords and administrators of very limited competence (Feder 1971, p. 87 f.; see also Barraclough 1973). A variant that leads into the next category of outcomes of the control dilemma is provided by the cases in which subordinates prove able to cope with such control problems and by doing so gain a position of power of such character that, in the extreme, they replace the original ruler. Of greater consequence than such simple displacement are developments in which a corps of top subordinates gains power in a similar way at the expense of the ruler without displacing him. For an excellent case study, see Rosenberg (1958). Such a development can in several ways overlap the next two outcomes discussed.
they did answer problems of central direction and control created by increasing division of labor and organization (see Smith 1972). Third, the corps of relevant officers may develop attitudes and value commitments consonant with the interests and responsive to the wishes of those in top positions. Normally this requires cultural developments which over a long period of time remain consistent with the interests of rule by divided authority and which forge tenets of legitimation acceptable to both rulers and officials. These cultural developments have to be complemented by generous rewards of income, status, or both. According to Max Weber's well-known analysis, access to these rewards must remain under the control of the center lest the subordinates create their own independent power centers.

The first two outcomes of the control dilemma created by the division of authority and the increased use of experts indicate important obstacles in the process of differentiation as well as some ways in which these may be overcome by rulers who command sufficient resources. The third possibility identifies a crucial breakthrough in the emergence of a modern social order. The early developments of this kind involved secular changes; both in time and in social scope, they reached far beyond the horizon of even the most powerful and far-sighted actors. Subsequent developments, taking place within a transformed sociocultural environment, can rely on already existing patterns of attitude and value commitment which may ease, and in the extreme even eliminate, the dilemmas engendered by a division of authority.

To understand more fully the conditions which bring about such fundamental transformations, much more research and analysis is required—research of the historical-sociological variety exemplified by the work of Weber and Eisenstadt—rather than general formulations about evolutionary stages which gloss over the actual processes of change. There is, incidentally, reason to think that transformations of the ethos of administrative officials tend to be much more limited in their effects than some formulations about the modernization of public and private administration suggest. The formal readiness to serve loyally in a system of divided authority seems in most instances bound up with some substantive ideals, aversions, and taboos, which are deeply grounded in the outlook of officials and which limit the range of policies given unreserved support in a specific service subculture. It is for this reason that we find complex control arrangements, similar to those of the 18th-century Prussian state, in such modern societies as Germany under the National Socialist regime (Burin 1952) and the socialist states of Central and Eastern Europe after the Second World War (Fainsod 1963; Beck 1963). The conflict between the habits, outlook, and value commitments of the established corps of
civil servants and the goals of the new political elites gave rise to the underlying problems of control and direction.

Obstacles to the advance of specialization and differentiation within the administration of rules do not derive only from contradictory interests of the power holders. Resistance against differentiation is likely to come from officials and organizations who have some share of power and whose jurisdiction would be subdivided. Their resistance will intensify as further differentiation infringes on their economic privileges and on their status in society. Their resistance will be reinforced by commitments to certain policies and values for which they claim a special responsibility. Similarly, a division of roles and organizations will be favored by those who thereby gain in privilege, status, or power, which they may or may not exercise with claims of a wider responsibility. The ultimate result of such contradictions between vested interests will depend largely on the power resources of the opposing factions and on the interests and the power resources of higher-level decision makers. This suggests that specialization in an organization, once those in authority decide it is to their advantage, is likely to proceed more smoothly the lower the rank of those affected, because opposition is less likely to be powerful.

Another conclusion of some importance is that where opposition to differentiation from vested interests in established organizations is considerable, more complex organizational forms may develop more easily in new organizations than through the transformation of existing ones. Later the old organizational forms may be gradually eliminated, be it by decree or as a result of competitive pressure. However, they also may succeed in surviving under certain and not necessarily rare conditions; this results in the not unfamiliar picture of a coexistence of several different organizational forms with the character of each testifying to the conditions that shaped its development (see, for instance, Stinchcombe 1965). Either outcome is incompatible with naive conceptions of differentiation according to which more complex social patterns evolve directly and smoothly out of simpler ones.

We now turn to the second problem area identified above, which concerns the adverse effects that differentiation potentially has on the authority of rulers outside their immediate organizations of domination.

S. N. Eisenstadt, who—following Max Weber—has done much to advance the analysis of the problems discussed so far, has also provided a succinct formulation of the central issues involved in the potential erosion of the ruler's authority in the wider society due to advances of structural differentiation (Eisenstadt 1963). Since differentiation requires a freeing of resources and people from uses and role assignments fixated by tradition, and since many specialized positions gain in the process of dif-
ferentiation some autonomy from direct control, the specialization of urban
groups and the related expansion of market exchange tend to undermine
ascriptive, "traditional" authority. At the same time, such developments
are necessary to advance the more efficient forms of bureaucratic rule.
A ruler whose power in the wider society rests to an important extent on
ascriptive fixations and traditional consent thus finds himself in a dilemma
if he seeks to expand his power through bureaucratic centralism. How this
dilemma is resolved depends to a large extent on coalitions and compre-
mises with old and new subdominant groups. There are in particular the
old aristocracy and urban strata of new importance; their interests fall
primarily on opposite sides of the dilemma and their support can be used,
respectively, to compensate for erosions of old foundations of the ruler's
power or to develop new bases of power and legitimation more consonant
with bureaucratic rule.12

Eisenstadt's analysis deals with early forms of bureaucratization. While
certain features of these developments have universal significance, it is
important to keep in mind that the problems encountered here are tran-
sitory ones in a longer term perspective. Not only are the principles of
authority and legitimation less heterogeneous and contradictory in more
modernized societies, but also the modern institutional structure offers—
with general legal norms, enacted law and formalized adjudication, and
with such legal forms as contract, property, and corporation—a firmly
established and widely accepted framework in which individuals and col-
lectivities can gain and lose power, or set up organizational forms and
recompose them, without having to secure anew in each case the neces-
sary foundation of power and justification in the wider society. Here, as
in the complementary case of the development of a modern service ethos
among officials, what are needed are historical-sociological process analy-
ses which clarify how a sociocultural environment that is favorable to
such building and restructuring of organizations has developed under
varying conditions. The present state of knowledge suggests that the con-

12 This line of argument focuses on problems of legitimation. Another problem derives
from the interdependence engendered by increased differentiation. If such interdepen-
dencies extend beyond a sphere of power, important resources may come under partial
control of actual or potential opponents. Whether under these conditions those in
charge will opt for self-sufficiency, and thus a limitation on certain advances of differ-
entiation, depends—aside from problems of foresight and other factors—on their as-
essment of the likelihood of conflict and on the amount of control a likely enemy or
coalition of enemies is seen as gaining. A closely related problem concerns the cultural
and ideological exchanges associated with structural differentiation. The interdepen-
dencies created by differentiation often become also channels for the flow of ideas. To
the extent that power holders see their power endangered by such diffusion or that
they value the maintenance of certain cultural orientations as an end in itself, they
may seek to limit differentiation in order to limit the reception of foreign cultural ele-
ments. The radical isolationist policies of Tokugawa Japan and the more complex but
basically similar policies of socialist societies in Eastern Europe may serve as examples.
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centration of power that was a condition and a further consequence of the bureaucratization of political rule was of paramount importance in initiating and establishing these more pervasive changes (Eisenstadt 1963; Parsons 1964).

IV

Karl Marx distinguished between the "division of labor in manufacture," or more generally differentiation within organizational complexes under a single authority, and "division of labor in society," or specialization of autonomous social units relative to each other.13 This distinction has important implications concerning the type of change involved. Differentiation within the jurisdiction of a single authority more often takes the form of directed rather than unplanned, "crescive" change and is probably more amenable to a conclusive and determinate analysis than differentiation that grows out of the interaction between autonomous units.

One might be tempted to extend this insight and argue that, while power variables may play a significant role in the "division of labor in manufacture" and its noneconomic equivalents, the "division of labor in society" is subject to different forces, forces that transcend the resources and interests of the particular authorities and privileged strata of a society. I shall argue that this view is mistaken and derives from conceptions of economic competition as a natural state relative to which political regulation and economic policy are artificial, unjust, and ultimately ineffective. Aside from this fundamental criticism it is worthwhile to note here that the "division of labor in society" and, more generally, the specialization of autonomous social units relative to each other cover a much wider range of phenomena than competition among a large number of equals. There may be many units involved, or as few as two, and the distribution of power—among the units potentially involved in differentiation as well as among social positions and organizations in general—can vary from a very strong concentration to a near-equal dispersion. Clearly the direct role of power variables in processes of differentiation is likely to be greater if only a few units are involved and if the concentration of power reaches a high level.

13 Marx's argument insisting on this distinction is worth recalling: "The same bourgeois mind which praises division of labor in the workshop, lifelong annexation of the laborer to a partial operation, and his complete subjection to capital, as being an organization of labor that increases its productiveness—that same bourgeois mind denounces with equal vigor every conscious attempt to socially control and regulate the process of production, as an inroad upon such sacred things as the rights of property, freedom and unrestricted play for the best of the individual capitalist. It is very characteristic that the enthusiastic apologists of the factory system have nothing more damning to urge against a general organization of the labor of society, than that it would turn all society into one immense factory" (Marx [1867] 1959, p. 356).
Perhaps the most dramatic case of differentiation due to power struggles between relatively autonomous interests is the "separation of powers" in modern government. At least in its democratic variant, this did not come about because of a drive toward greater efficiency of administration, adjudication, and legislation, but rather because of attempts to limit the power of the crown. The balance of power between crown and other groups was also at stake in instances where a "separation of powers" was imposed from above. Thus, when the Prussian kings took administrative tasks away from the Regierungen, organizational strongholds of the Junkers, and narrowed their function to judicial tasks, they moved in the direction of a structural differentiation of governmental functions and at the same time gained important power advantages over their conservative opponents (see Rosenberg 1958, esp. p. 55; Wagner 1936).

One may wonder why similar developments should come about as the result of very different power interests. Is it possible that the lines of differentiation—delimiting which functional problems are structurally separated from others—follow more universal exigencies, while power interests determine only whether or not a given process of differentiation takes place? I doubt that such a distinction is very useful. For the developments under discussion one might argue that they constitute a differentiation of decision-making processes with the rationale of separating concerns the vigorous pursuit of which may interfere with each other—an application of the general principle of which the legal treatment of "conflict of interest" is also a special case. The argument is reasonable enough; in fact, it formulates a point that perhaps should be included in the list of potential efficiency advantages developed earlier. Yet, as with all efficiency advantages, one must ask here too, "efficient" in terms of whose interests? The absolute king, his top administrators, civil servants in the offices affected, and citizens in various relations to the royal adminstration had most likely quite different ideas about the incompatibility of various tasks of decision making, and these differences were rooted in divergent interests. It would be foolish to rule out the possibility that different interests may on occasion lead to similar, partially identical results, but the controlling proposition remains that this is not to be taken for granted. To return to the Prussian example, one may want to remember that in another aspect of the separation of powers, the separation of legislative powers from administration, the crown was extremely reluctant to make concessions, and a full separation came about only in 1919 after the demise of the monarchy.

The "separation of powers" in government does not stand alone; it is an instance of a more general phenomenon. The delineation of the "jurisdiction" of large institutional complexes inevitably raises questions of power, especially if control over crucial resources is at stake and if the organizations and institutions in question command general influence and
Structural Differentiation

moral authority. In modernizing societies, struggles about the role of church, working-class organizations, or universities provide cases in point. In these matters of organizational and institutional differentiation there does not seem to exist any simple trend toward narrower specialization. In fact the later discussion of de-differentiation will concentrate on similar and related problems.

Political struggles about the jurisdiction and tasks of such institutions as church and universities involve centers of power and influence, which are different from each other in functional character. This suggests the complementary question, which indicates a concern that was central to the classic discussions of the division of labor: What are the effects on differentiation of conflicts between functionally similar units, for instance, between two or more political sovereignties or between business firms? One outcome is that a party loses its autonomy and becomes a part of the winner's organization, possibly with a more specialized task. Changes in the role of the aristocracy and its institutional strongholds at times when strong rulers succeeded in imposing bureaucratic centralism provide a variety of examples for such imposed specialization; it is also a common result of competition among business firms, especially under oligopolistic and quasi-monopolistic market conditions. Another outcome, of special importance for the economy, is organizational specialization in order to avoid direct confrontation and possible defeat; product specialization reduces the intensity of competition. Both outcomes played an important role in Durkheim's analysis of differentiation (Durkheim [1893] 1964).

While such fights are under way, and especially if they are waged between organizations of comparable strength and therefore extend over long periods of time, competitive pressures increase tendencies to look for the most efficient forms of internal division of labor, most efficient in terms of gaining a competitive advantage or at least holding one's own in the market. These effects on the internal division of labor of organizations would presumably be stronger as competition approached more closely that construct of the economic imagination, "perfect competition."

Competition that approaches the pure type of perfect competition differs from the forms of political and economic struggle discussed so far, because the intent to reduce the power of competitors or to displace them altogether is minimized. The number of competitors is too large for such attempts to be worthwhile. The model of perfect competition is of special importance for the central problem of this essay, the interaction between structures of power and processes of differentiation, because it was long advanced with the claim that here was a combination of order and progress that could function without help from the powerful. An ideo-

14 It may be noted in passing that the claims made for the efficiency effects of competition pose a challenge for the conventional efficiency theory of differentiation, since by
logical descendant of the tradition of natural law, this classic conception of competition as the “natural” state of affairs, relative to which intervention and planning by the state and by monopolistic power holders are “artificial,” still has some currency.

Yet on reflection it is abundantly clear that various elements of power play an important role even in situations approaching perfect competition. There is first the power of entrepreneurs and executives over their subordinates in a firm. There are differential opportunities for entry into a given market, variously based on factual, customary, and legal requirements regarding capital, education, social affiliation, or age and sex. There is the power of the state undergirding the legal framework which regulates relations among competitors, as well as between suppliers and customers, entrepreneurs and workers; this set of binding norms and optional contractual forms is never completely neutral with respect to the various interests involved, even if such neutrality is intended. Finally, there are often policies, instigated and opposed by different interests and pursued by governmental power, that aim directly to affect the pattern of competition—to maintain it in a certain form, to limit its intensity, or to keep imperfections of competition from having undesired results; modern antitrust legislation and medieval guild regulations, which limited the range of production and the number of employees allowed in a single shop, are but two well-known examples of such policies.

It is not, then, the absence of power or of power constellations favoring special interests that distinguishes situations in which many participants of roughly similar strength compete with each other. What is characteristic, however, is a peculiar pattern of resultant change, in the division of labor as in other respects—crescive rather than abrupt and discontinuous change, change less subject to autonomous planned direction by any of the participants and more determined by “mechanisms” that are rooted ultimately in the conditions of the man-made and natural environment no single participant can affect much. It was these mechanisms that gave rise to the classic image of the “invisible hand.” Yet as modern economic policymakers in capitalist countries have learned, however imperfectly, such processes of crescive, aggregate change can be influenced, and even steered, if one controls certain points of leverage.

definition competing units are not, relative to each other, specialized in complementary ways, but deal, “segmentally” separated, with similar goals. The problem raised complements Marx's polemic quoted in the preceding note. If one were to pursue the efficiency theory of differentiation, one would have to compare the efficiency results of competition, based on such factors as the mobilizing effects of the pursuit of self-interest or the peculiar combination of information and authority characteristic of decentralization, with the efficiency effects of further structural differentiation under varied circumstances in order to arrive at an explanation of differentiation based on efficiency consequences.
Occupational specialization, the central theme of the early discussions of the division of labor, has often been analyzed as a variant of decentralized, competitive change. Here, too, the prevailing conceptions have neglected the part played by organized interests, power, regulation, and planning and emphasized impersonal socioeconomic mechanisms which respond to changes in the scope of markets, in technology, and in the environment. The foregoing arguments regarding the role of power even in markets approaching perfect competition apply here too; in addition, labor markets are rarely models of competition on both sides of demand and supply.

If workers are employed and not well organized, the level and types of specialization will be determined by the economic and organizational interests of their employers. Unions and occupational associations exert an influence that varies with their power resources, but that can by no means be dismissed as a mere modification or retardation of ineluctable trends. The higher the class and status position of the members of an occupation, the stronger this influence will be—other things, especially the degree and efficiency of their organizations, being equal. For this reason, specialization in a profession reflects more closely conditions and interests within the occupational group than it does in lower ranking occupations. There is no space here to explore which interests in an occupation are likely to favor, which to oppose, further specialization. Generally, a reliable guide to prediction can be derived from analyzing the perceived impact of pending specialization on the competitive advantage, on income, status, and influence of different subgroups in the occupation. Government regulation often serves as an instrument to protect and advance the interests of certain occupational groups in a pattern of specialization. In many, if not in most, instances of a breakdown of complex craft skills into simpler unskilled or semiskilled components, changes in the legal order were an important contributing cause rather than merely a formal acknowledgment of more fundamental developments.15

V

Earlier I suggested that a consideration of developments of de-differentiation might be helpful in overcoming the diffuse and largely descriptive character of many analyses of structural differentiation and that it may aid in approaching a process analysis of these changes. De-differentiation in the most literal sense is the reversal of a process of differentiation and

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15 The role of power in shaping the place and functions of the professions in society, including their internal differentiation and their relations to other occupations, has recently received more attention (see Bucher and Strauss 1961; Rueschemeyer 1964; Freidson 1970a, 1970b; Johnson 1972; Rueschemeyer 1973).
a return to the status quo ante or, since history rarely can be turned back exactly, a situation similar in its basic outline. In the preceding discussions various obstacles and sources of resistance to developments of differentiation were identified; they constitute the main causes of de-differentiation in the literal sense if a new division of labor and organization does not become firmly institutionalized and the balance of power tilts toward the opponents of the development in question.

Of greater theoretic interest is another form of de-differentiation, which perhaps might better be called a “structural fusion of functions.” Here we do not deal with a return to the original pattern, and thus the original constellation of interests favoring or opposing the development in question becomes irrelevant.16

If students and professors try to commit their university to a certain political position, we have—in the institutional context of the United States or Western Europe—a clear, though minor, example of an attempt at organizational de-differentiation. The underlying pattern is fairly general. Various specialized institutions are strongholds for certain opinions and concerns of a wider significance. If critical developments intensify these concerns the attempt may be made to mobilize the resources of the specialized institution for broader, here political purposes. Recent developments of UNESCO policy, political and moral pronouncements of scholarly societies beyond their immediate sphere of technical competence, the inclusion of political aims in the program of unions that previously had a narrow “business” orientation, and “political” strikes can all be subsumed under this type. Often such moves toward de-differentiation will be temporary phenomena only or minimally successful in the first place, because powerful interests are served by the specific delineation of the “proper” functions of most important institutions in stable societies. Furthermore, other interests with no direct stake in the dispute in question are often, through various mutual accommodations, committed to the existing pattern, too. This is particularly likely if an entry of previously nonpolitical organizations into the arena of broad political decision making is at issue. “Cobbler, stick to your last” is a demobilizing injunction. It takes a considerable exercise of power sustained over a long period of time to bring about such de-differentiations and make them stick. Still, a cer-

16 Before I proceed further, it seems useful to touch briefly on certain conceptual difficulties. It may be objected that a fusion of functions, especially at the level of control and coordination, should not be considered as a process of de-differentiation, but should rather be analyzed as a form of integration. However, the seeming contradiction is resolved once it is realized that differentiation and integration are logically heterogeneous concepts, the former being a concept of structure, the latter indicating a functional problem. Thus, integrative problems may be solved, under different circumstances, by newly specialized roles and organizations as well as by a structural fusion of functions in one role or organization.
tain amount of tug and pull over the purposes of many institutions should be expected in all societies.

Another type of fusion of functions in certain organizations is also rooted in attempts to marshal additional power resources for broad purposes. Here a political, ideological, or religious organization seeks to secure the allegiance of its adherents and to broaden its following by offering intrinsically nonpolitical, nonideological, and nonreligious services and opportunities for association of various kinds. Missionary schools and hospitals, religious or political fraternal associations, as well as hiking, gardening, or singing clubs under denominational or party sponsorship represent an assortment of examples.17 That developments of this kind often proceed with much greater ease, provided the potential clientele is willing and interested, highlights by comparison what was said about the obstacles encountered by attempts of previously nonpolitical organizations to move into the political arena of power. In the present case, the organizations are already established in that arena, and their expansion of activities is often not easily interdicted. On the other hand, great resources of power and coercion may be needed if the potential clientele is unwilling or if their interests are already served under the sponsorship of competing institutions. One might look from this perspective at the introduction of compulsory education under the sponsorship of the modern state in continental Europe, or at the imposition of ideological party auspices on most organized activities in 20th-century totalitarian states.

Certain forms of de-differentiation at the level of control and direction may be of strategic importance for large-scale and thorough transformations of a social order. Totalitarian control and penetration of all spheres of life is only one of these forms, one that is of particular importance in relatively developed societies where many people are potential political actors and where advanced structural differentiation makes centralized elite control difficult without pervasive indoctrination and control of commitment. In less developed societies the fusion of different functional elites and the concentration of their efforts on certain goals of social change may be sufficient to create a similar potential for rapid and thorough institutional change.

In either case, one particular fusion of functions, or at least a very close integration, seems of special importance—the linkage of "managerial" policy concerns with new value orientations and ideological guidance; the insistence in Mao’s China on not letting the concepts of “red” and “expert”

17 The latter types of associations were characteristic of the “political culture” of Germany before and after the First World War; see for instance Roth (1963). Similar patterns were found in the Netherlands after the Second World War (see Lijphart 1968). For an analysis of the general rationale of this type of fusion of functions see Olson (1965).
drift apart is a powerful example. Social change that involves such a reduction of differentiation and complex mediation between concerns of ultimate orientation and the more "realistic" preoccupations with running the machinery of society might be called charismatic change, borrowing from Weber's conception of charismatic authority (Weber [1921] 1968; see also Shils 1965 and Eisenstadt 1968). In analogy to Weber's theorems about the routinization of charisma, one should then expect that such processes of fusion of functions are followed later by new developments of structural differentiation, though their results are likely to be of a nature different from the social structure preceding the change.

VI

I have argued for an inclusion of power in the conceptual frameworks used to deal with structural differentiation of functions. First, the prevailing functional arguments that efficiency advantages underlie long-term advances of differentiation remain indeterminate without such an inclusion, because efficiency is always bound up with specific preference structures and the power resources of the actors variously affected by differentiation are thus a crucial element in the causal loops that give the functional argument explanatory power. Second, whether or not efficiency advantages have a central place in the explanatory model, the differential power resources and the power interests of the various relevant individuals and groups are likely to be of strategic importance for the immediate causal constellations underlying actual processes of differentiation and de-differentiation.

Taking off from these considerations, I have first reviewed the problems and dilemmas arising for power holders if they engage in policies encouraging structural differentiation within their immediate and wider spheres of authority; some of the conditions under which these contradictions between power interests and differentiation advantages are reduced were also discussed. A second set of arguments dealt with the consequences for differentiation that result from conflict, rivalry, and competition between more or less autonomous organizational units; the special case of competition which approaches the pure type of perfect competition was related to underlying patterns of power and to the resulting pressures for differentiation. Finally, various types of de-differentiation, or structural fusion of functions, were analyzed in relation to power interests; a tentative inference is that certain forms of such fusion are of strategic importance for far-reaching transformations of a social order.

The material discussed was varied indeed—a reflection of the abstract nature of the two central concepts, structural differentiation and power.
While I have referred primarily to the more narrowly defined phenomenon of organized domination rather than to power in general and have indicated at several points how the concept of differentiation should be subjected to differentiation itself, it is clear that further conceptual distinctions will become increasingly important in future work in this area. Yet it is well to remember that conceptual differentiations should not run much ahead of the substantive development of theory; and if theoretical conceptions cut through the compartmentalization of phenomena in their concrete social definitions and thus transcend the parochialism of common sense, one should treasure that as a gain of, and for, theoretical analysis—provided the concepts identify phenomena which are indeed similar in regard to causal conditions and consequences.

The aim of this essay was to demonstrate the theoretical utility of looking at power constellations and power interests as one important set of proximate causes involved in processes of differentiation and de-differentiation or fusion of functions. This must not be misunderstood as an assertion that power interests constitute the primary cause of differentiation and de-differentiation in all their variety. Power and domination rest on a very broad range of conditions and are used to pursue many different goals. If these conditions and goals are subjected to causal study, it seems plausible in any long-term analysis to expect the greatest impact from the same causal complexes that have been viewed in the past as major determinants of long-run structural change—population change, developments of technology and economic structure, changes in the basic value orientations and cognitive premises of sociocultural life. The exercise of power and domination and the interests it engenders, while constituting a dimension that may very well have some causal autonomy even in the long run, in large part merely reflect changes in other aspects of society and culture. I consider the separation of the dimension of power from the structure of productive relations a strategic mistake of Dahrendorf's (1959) attempt to reorient the Marxian analysis of class and class conflict; to view power in isolation from other major causal complexes would be a similarly consequential error in the theory of differentiation. What I do argue is that power constellations and power interests are of eminent importance as proximate causes in actual processes of differentiation and de-differentiation and that process analyses of both types of structural change should be given high priority in theoretical work in this area.

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