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The wave of megamergers washing over the U.S. cannot be held back. But that's no reason why we should ignore its impact on American society. The past two years have seen some of the largest combinations in history: Citibank and Travelers, WorldCom and MCI, Daimler and Chrysler, and British Petroleum and Amoco, to name a few. Many more huge transactions are pending, including Deutsche Bank and Bankers Trust, Exxon and Mobil, and Aetna and Prudential Health.

The fierce competitive pressures forcing megamergers, such as cost-cutting and the need to achieve scale in the global economy, are understandable. But the mergers raise a broad issue that goes beyond traditional concerns. For example, antitrust issues could be a worry--but happily the Justice Dept. and the Federal Trade Commission are alert to their responsibilities. And while nearly every major merger entails huge layoffs, the economy for now is creating more jobs than are being lost.

The big problem with these gigantic mergers is the growing imbalance between public and private power in our society. No one should deny the importance of free markets as the best engine for our economy and as protector of so much of our personal freedom. But it is doubtful that Americans will equate Adam Smith forever with the total interests of society. In the gilded age of J.P. Morgan and John D. Rockefeller, for example, unchecked corporate power led to a dramatic increase in government activism--from antitrust laws to the establishment of the Federal Reserve and the Securities & Exchange Commission. The laissez-faire 1950s were followed by more than a decade of new government mandates on business in fields such as environmental cleanup and equal-opportunity employment.

LOCAL LAPSES. Today, the pendulum is swinging again, as markets, and particularly the megacorporations, come to dominate national and global affairs. Of course, huge multinationals are nothing new, but nowadays an era of Big Government is being superseded by the age of global goliaths.

Superlarge companies with interests and commitments stretching from Boston to Brisbane are unlikely to focus as intensely as smaller ones do on support for the local neighborhoods--the schools, the arts, the development of research activities, the training of potential workers.

Big companies have disproportionate clout on national legislation. Our scandalously porous laws for campaign contributions leave little doubt that megacompanies will exercise huge power over politicians when it comes to such issues as environmental standards, tax policy, Social Security, and health care.

For all the talk about free markets, companies such as Citigroup may simply be too big to fail. Recall how Washington bailed out Lockheed and Chrysler. Megacompanies are almost beyond the law, too, because their deep pockets allow them to stymie prosecutors in ways smaller defendants cannot. Or, if they lose in court, they can pay large fines without much damage to their operations.

NEAR EQUALS. Corporate giants will also exert massive pressure on America's international behavior. Defense contractors such as Lockheed Martin, the result of a 1995 merger, have successfully pushed for NATO expansion and for related military sales to Poland, the Czech Republic, and others. Combined entities such as Boeing-McDonnell Douglas will tighten their already formidable grip on U.S. trade policy. Companies like Exxon-Mobil Corp. will deal with oil-producing countries almost as equals, conducting the most powerful private diplomacy since the British East India Company wielded near-sovereign clout throughout Asia.

The American economic system is at its best when public and private needs are balanced. The sheer magnitude of mergers is skewing the equilibrium. What can be done? The obvious priority is serious campaign-finance reform to prevent any single economic interest group from controlling national politics. There may also be a variety of tax and regulatory questions that will make Washington more effective in keeping up its end in the seesaw of public and private power.

More important, we could use a vigorous national debate over both corporate and government responsibility in this new era of global capitalism. Many related issues have arisen in the Asian financial crisis, where the movement of capital has overwhelmed the ability of national governments to manage their economies. Finding the right balance between markets and the public framework in which they operate is the most important issue of our times.

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