QUOTES FROM CORPORATION NATION by Charles Derber

p. 2-3 Yet the corporate mystique is, at heart, an ideology, which for decades has effectively disguised the rising power of corporations in our lives. Corporate ascendancy is emerging as the universal order of the post-communist world. Its most obvious feature is the reign of vast and much-admired global corporations, from General Electric to Microsoft to Disney. Yet the essence of corporate ascendancy is the quiet shift of sovereignty that is shaking the roots of our democracy.

p. 4 Corporate ascendancy does not threaten to lead to absolute corporate power, but it involves the growing public powers of corporate entities that are defined by the corporate mystique as private enterprise. In addition to capturing huge global markets for traditional products, corporations are invading traditionally public sectors such as medicine, education, social services, and law enforcement. Corporations now own and manage huge domains of the public sector. To speak of the incorporation of America is not to speak metaphorically: There is scarcely any sphere of American life that is not coming under corporate administration.

p. 12 With the 1990s came a second hint of a new Gilded Age: the revelation that the United States had become the most unequal country in the developed world – with the gap between rich and poor growing disturbingly vast. By the mid-nineties, not only was the gape the largest in fifty years, but as the United Nations reported, “the United States is slipping into a category of countries – among them Brazil, Britain, and Guatemala – where the gap is the worst around the globe.”

p. 14 Yet millions of Gilded Age Americans worked in sweatshops, and the intensity of economic and social exploitation wrought by the robber barons became legendary. The growth of urban slums, the concentration of new monopoly power in the trusts, and the scandalous corruption of politics made many turn-of-the-century Americans feel their nation was losing its democratic promise.

p. 16 In matters of personal style, the new elites are hardly the charismatic masters of their age that the robber barons were. Today’s corporate leaders tend to be anonymous, gray-suited organization men, absorbed within an institutional system larger and more powerful than themselves. While they have great power, their charisma and personal ownership
stake matters far less than those of a Rockefeller or a J.P. Morgan, and they are to a far greater degree the captives of financial markets they do not fully control and of the interlocked business networks over which they preside. The personal power of the robber barons has been subsumed into a global corporate web. While they speak the language of entrepreneurialism, the new business elites are far from the rugged individualists who strode across the Gilded Age landscape.

p. 43 Moreover, as the national market grew in the Gilded Age, modern unions, too, began to take shape, their ranks swelled by the horrific treatment of workers; but they lacked the ability to coalesce into a powerful national contender to the new corporations. Labor can never be as mobile as capital, since individual members inevitably develop local roots and cannot transplant themselves from town to town without deep disruptions in their lives, making it more difficult for labor to assert itself as a countervailing power when markets are expanding geographically.

p. 44-45 The rise of the national economy a century ago was not as great a threat to countervailing power, because the new national corporation remained on American soil

RULED BY THE FEDERAL GOVERNMENT. Rockefeller’s Standard Oil in the 1880s and 1980s could and did try to bribe and manipulate presidents and Congress, but could not bully them by threatening to leave the country or playing America off against the Kaiser or Britannia. In contrast, the new world economy permits an Exxon, General Electric, or Chase Bank to weaken national governments in ways that their Gilded Age corporate ancestors could not have imagined.

p. 50 Microsoft is the archetypical symbol of the new corporate era. The technological wonders developed by Microsoft win its great loyalty and admiration from many in the public. Bill Gates is a business genius who has done a great deal for America. But when Fortune magazine suggests that Gates might have more influence than Bill Clinton, it is time to be concerned about the quiet shift of power now and under way – one that could reduce democracy to a playground of global corporate oligarchs.

p. 51 The Microsoft architectures have established themselves so deeply in every segment of the computer business that they are “like the 60-hertz electrical current that flows to every American household.” They are the high-tech equivalent of the standard sizes for nuts, bolts, and wheels which once made mass production and the Industrial Age possible.
Microsoft is only one of about thirty giant global companies that sit at the center of the American economy. These companies are the top tier of the group of a few hundred corporations that dominate their respective markets and touch the lives of virtually every American.

The top thirty are among the biggest in the world, but size is not the only reason they stand out. The top thirty represent the pivotal powers in the new world of corporate ascendancy. They are creating the future, for better or worse, and they are unmatched in their ambition, technological dynamism, and global reach. While they are carriers of new ideas of freedom, economic cooperation, and even of the possibility of community on a global scale, they embody the key elements of the new corporate order: vast size, dominant market share, and a new ethic of minimal loyalty to employees, communities, and the environment.

The major corporations are larger than most governments in the world, with revenues and assets ranging up to almost $1 trillion in a single company. Of the world's hundred largest economies, fifty-one are global companies, and only forty-nine are nations – and the vast majority of the global corporate Goliaths are American or Japanese. Collectively, the top thirty own assets worth several trillion dollars, perhaps a fifth of the world's total corporate wealth.

The "private economic government" of the biggest corporations today, writes Yale law professor Charles Reich, "is a far more important factor in the lives of individuals than public government. Private government controls people by controlling their ability to make a living. In order to get a job, have a career, escape the abyss of being rejected or discarded, people will accept the dictates of corporate and institutional employers, even when these dictates go far beyond anything that public government could constitutionally impose.

Corporations exercise political power over employees by making rules they have to live by. These can include what is permissible in terms of dress, speech, and a way of thinking consistent with corporate culture. Corporations can read employees' e-mail messages and legally instruct workers about when they are free to go to the bathroom (a problem that has led a urologist to write a book about work-related prostate conditions) and, in 1998 led President Clinton to issue an edict calling for new toilet rights. The corporation mostly writes its own internal laws – making it a nation within a nation. Such authority, when restricted to the workplace, might conceivably still be viewed as private or market
power rather than public or governmental, even though it affects behavior that is not strictly economic and involves invasive control over people’s lives similar to that entrusted to governments. But in addition to this inherently political side of market power, corporations are increasingly involved through trade associations, lobbyists, and campaign financing in shaping the nation’s political agenda and legislation, a more explicit and transparent form of corporate public power. Through their ownership of the mass media (such as GE’s ownership of NBC and Westinghouse’s ownership of CBS as well as a vast radio empire) and increased corporate funding of schools, they are also helping mold the minds of American citizens.

P. 55  Populist anger toward Washington is not entirely misdirected, since public and private government have become increasingly intimate in their joint management of the economy and public life. While the post-Communist ideology of free markets is celebrated everywhere, the lines between big government and big business have ironically blurred in the most capitalist of nations. Corporate money pours into American political coffers while corporate welfare – in the form of public subsidies and tax breaks – has become central to the profitability of America’s biggest firms. Public and private government remain formally distinct and continue to confront each other with hostility on occasion, as President Clinton’s tussles with the big tobacco companies and with auto companies (over air pollution laws) demonstrate. But as in the Gilded Age, our public leaders have increasingly accepted their new role as advocates for our private corporate government.

p. 56  John Kenneth Galbraith and Adolf Berle showed by the 1950s that a few hundred corporations dominated much of the nation’s economic life. Since then, public governments have been downsized and more closely aligned with business, unions have declined, and global corporate leaders have lost much of their sense of responsibility for the well-being of the nation. Private government has become larger and more narrowly profit-oriented, while intruding more deeply both into our public affairs and private lives.

p. 57  It is true that large corporations are decentralizing their operations, spinning off divisions in many industries, and downsizing employees, leading to a decline in the percentage of national workforce they directly employ. But the percentage of the national Profits and sales directly accounted for by the nation’s largest companies has not declined, but rather continues to grow. Manufacturing firms with assets over $1 billion, for example,
increased their share of the nation’s industrial profits from about 50 percent in 1971 to about 67 percent in 1991. The combined assets of the top one hundred American industrial corporations grew from 22 percent of the nation’s total manufacturing assets in 1962 to 30 percent in 1993. The number of nominally independent small firms that are effectively under the control of larger firms has also grown; significantly increasing the indirect economic power of the largest corporation in today’s networked capitalism.

p. 58 Instead of becoming dinosaurs, many of America’s biggest companies are getting bigger through growth and mergers, while also creating global networks of smaller contractor firms under their control. The dramatic rise of “vertical networks” the cluster of companies under the control of a single giant firm like GE, IBM, or GM – helps explain the paradox of growing big-business power in an age of downsizing and vertical dis-integration. “Production may be decentralized into a wider and more geographically far-flung number of work sites,” writes Harrison, “but power, finance and control remain concentrated in the hands of the managers of the largest companies in the global economy. In other words, vertical networks actually increase the power of giant companies that are decentralizing and appear to be vertically dis-integrating. Such networks, which in another form were also a well-known characteristic of nineteenth-century robber-baron corporate organization, create

what Harrison calls “concentration without centralization.” The illusion of small-firm proliferation within a reality of power concentrated among the largest corporations.

p. 61 By the early 1990s, five firms controlled more than 50 percent of global market share in the consumer durables, steel, aerospace, electronic components, airline, and auto industries. In oil, personal computers, and media, five firms controlled more than 40 percent of the market. In American markets ranging from commercial airlines and aerospace to computer hardware and software to household appliances, three or four firms control up to 90 percent of the market, and market share concentration continues to increase through mergers and targeted growth strategies.

p. 62 Unfortunately, neither condition has been achieved over recent decades, with a smaller number of dominant giant competitors acting less and less independently of one another. The new system of corporate networks is a critical factor. At the same time that they compete, the world’s biggest firms are building a dense set of both vertical and horizontal partnerships, alliances, and joint ventures through which they manage the competition in their joint interests. While some of the alliances take the form of outright mergers, many are short-or long term alliances (sometimes with cross-linking ownerships as
in the telecom and media industry) or partnerships (such as the new ten-year partnership between Disney and McDonald’s announced in 1996) which allow companies to jointly plan research and development, marketing and other shared concerns.

p. 65 Corporate disempowerment is not a total distortion. The tides of change sweeping the world now rock even with biggest companies such as GM, IBM, and AT&T, all of which have come close to crashing on the shoals of swirling markets and new technology in the last decade. Even the top thirty must cope not only with giant domestic and foreign competitors, but with regulation from governments and resistance by employees. In the new international order, corporations have great power relative to countervailing institutions, but they do not enjoy anything like absolute power.

p. 65 The subtlest corporate myth may be about the threat of “big government” to corporate power. Government remains the most important potential countervailing threat to corporate power, and business has historically resisted uninvited regulation. But despite all the sound and fury by business today about its burdens, and its genuine opposition to much regulation, corporate leaders in many key sectors continue in private to champion government intervention. The magnitude of “corporate welfare” – involving 300 billion dollars yearly in subsidies and tax breaks – makes clear that the federal government has committed itself irrevocably to the survival and profitability of the largest firm – and that such support has become essential to big business. More generally, the federal government’s trade, fiscal, and tax policies are increasingly oriented, now as in the Gilded Age, toward ensuring corporate profitability. This is the defining feature of Bill Clinton’s Democratic administration, as well as all recent Republican regimes.

p. 67 The robber barons turned the railways into proprietary networks by controlling and limiting access until populists and government trust-busters forced them to charge nondiscriminatory rates and take into account the public interest. The weakening of countervailing power has allowed companies today to follow the model of their rain-baron predecessors. While the myth of the information highway as an open architecture and common-carriage system prevails, the reality is that giant corporations in computers, telecommunications, and media are rapidly moving to take proprietary ownership of all electronic communication. They already monopolize huge stretches of the highway and the information that flows through it – with Uncle Sam bending over backwards to help the
process along. James Boyle writes that governments are “granting monopolies over in information and information products that make the monopolies of the nineteenth century robber barons look like penny-ante operations.”

p. 76  While consumer groups focused on the prospects of higher prices, the real issues that the new global superbanks pose are much more far-reaching. Not only will they force unprecedented financial consolidation and a rewriting of America’s regulatory laws, but they concentrate a level of financial power that can tilt the economy ever more toward what David Korten and other contemporary analyst describes as “financial capitalism.” Finance capitalism is dominated by financial rather than non-financial corporations and reifies the pursuit of money gains over the making of useful products. Capital becomes a paper commodity increasingly unrelated to production, and the profitability of stock markets and financial corporations becomes increasingly disconnected from the real economy. In finance capitalism, money markets become the dominant economic institution, financial assets grow far more rapidly than non-financial assets, and speculative finance, involving currency trading, hedge funds, and derivatives, tend to overwhelm productive investment serving the real needs of people.

p. 77  In markets dominated by long-term investment, stock prices may closely mirror underlying real value. But as trading patterns become “hotter” and turn over nearly the market’s whole value in a matter of weeks or months, the money markets look more like a Las Vegas gambling operation than an efficient market. Isolated speculators can do little damage, but when very short-term turnover becomes the norm, investors have little time or incentive to consider long-term value, and the markets evolve into what John Maynard Keynes called “a whirlpool of speculation,” or what some call today’s “bubble economy.”

p. 77-78  The new financial markets and the superbanks have evolved together as part of a radical deregulation of the nation’s financial system. In the New Deal, the Glass-Steagall Act and other linchpins of anew highly regulated banking order protected consumer bank deposits from some of the speculative losses that had ruined millions of Americans in the Great Depression. Over the last fifty years, memories of the great crash have faded, and a new era of deregulation has emerged that puts many more millions of Americans at risk. The money markets exploded in the last decade through the vehicles of mutual funds and brokerage houses that were not subject to the same tight regulatory controls as commercial banks—and their new array of exotic global speculative instruments resisted close federal
monitoring. As commercial banks, sought to capture the high-flying action in the money markets, they had to innovate, merge with, or acquire far more risky operations, creating the prototypes of the superbanks that today unify all financial services under one roof. The superbanks are the institutional embodiment of the deregulated global markets, shifting banking from the stable regulated regime of the post-Depression era to the realm of go-go finance seeking instant bang for the buck.

p. 78 As financial assets become the major form of capital, the superbanks' ability to determine the allocation of credit increases their power to shape the entire system of social stratification, concentrating their resources and creative financing products to serve predominantly those already wealthy. Ultimately, the problem with the superbanks is not just their size, but their legitimation of a cultural ethos of greed, and their concentration of power allowing them to dictate increasingly not only to governments, and communities but to non-financial corporations as well. As we will explore shortly, they become along with the financial markets an ambivalent countervailing force to the rest of the corporate world, simultaneously turning the entire corporate system toward short term profits while, contradictorily, bringing into the arena new and more diffuse owners with the potential to introduce social values into the calculus of the market itself.

p. 79 Wall Street investment banks, led by J. P. Morgan, were the dominant force in finance a century ago. Today, while the line between commercial and investment banking has blurred with the emergence of the new superbanks, the leading investment banks – epitomized by Merrill Lynch and Goldman Sachs – are central to three aspects of contemporary finance. They arrange, and profit hugely from, the mergers and acquisition frenzy; they play a leading role in managing the domestic and international money markets; and they house the small community of leading financial analysts who define the norms of money management that imperil the health of society.

p. 92-93 All of them, says former labor secretary Robert Reich, are on the same wobbly lifeboat - members of America's new anxious class. The anxious class consists of the millions of Americans, in this words, "who no longer can county on having their jobs next year, or next month, and whose wages have stagnated or lost ground to inflation." Since 50 percent of Americans now say they worry about losing their job, and up to 70 percent of Americans have been seeing stagnant or declining real wages for twenty years, the anxious class is not only anxious but big. It encompasses a huge chunk of the middle class, the
entire underclass, at least ten million working poor, and even many professionals such as IBM’s disposed computer engineers.

p. 93 The torrent of analysis about the anxious class has, nonetheless, established two new realities about America. One is that a level of economic insecurity that has not been seen since the Great Depression now permeates the nation – a particularly vexing phenomenon in an economy which is enjoying growth, renewed productivity, and high profits. “For the first time in fifty years.” Says Richard T. Curtin, director of the University of Michigan’s Consumer surveys, “we are recording a decline in people’s expectations. And their uncertainty and anxiety grow the farther you ask them to look into the future.” Polls in the mid-1990s, including 1997 surveys carried out at the peak of a remarkable market expansion and economic boom, showed that about two-thirds of Americans saw job security as lower than it was a few years ago, and more than half said they expected this greater insecurity to last for many years.

p. 96 Roosevelt preserved capitalism, but he was a revolutionary nonetheless, and he created a new American social contract. The new Deal was a genius alternative to Gilded Age capitalism, and the nation’s most decisive repudiation of social Darwinism. It established the protections of the welfare state, giving the anxious class its first does of guaranteed social security. It also gave legal protection to unions – a dagger in the heart of Gilded Age economics, since its returned some basic rights to workers and institutionalized a modicum of countervailing power among unions. A bold new labor movement and a series of riots among the poor and homeless during the Depression helped force Roosevelt to accept and enact major changes.

p. 97 For fifty years the new social contract liberated a majority of ordinary Americans from economic insecurity. The New Deal, to be sure, did not eliminate poverty or create a paradise for the new vast middle class it brought into being. Nor did it dismantle the giant corporations that arose during the Gilded Age. To the contrary, Roosevelt’s National Recovery Act institutionalized a close relation between business and government that greatly expanded the public power and character of corporations. Corporate empires built by Rockefeller and J. P. Morgan grew even bigger after the New Deal. But while the New
Deal did not shrink the size or influence of the nation's largest corporations, it ended monolithic corporate control of America, giving labor and government itself a seat at the table.

P. 99 The new social contract gave birth to a middle class free of the debilitating economic insecurity that is today revisiting their children. This triumph of countervailing forces was made possible both by the political mobilization of the New Deal and by the postwar prosperity and dominance of American corporations. After World War II destroyed the European and Japanese economies, the American century came into full flower. The absence of significant global competition made it far easier for American corporations to treat their unionized employees generously, since higher wages could be passed along to the consumer in higher prices without jeopardizing corporate profitability. But such generosity, which increased employee loyalty and productivity, came into being only through the power of the labor movement and of their liberal allies in postwar governments. Corporations resisted unions and long-term contracts, finally embracing them only because the balance of political forces gave them little alternative.

p. 198 No issues carry more electric charge in the public mind and more populist significance than downsizing and job insecurity. Downsizing, along with outsourcing and the shift to contract temporary or other forms of contingent labor, are generating — even in an era of great wealth and prosperity — a depression-like shock to the American public. Millions of Americans are living in fear of permanent insecurity, and of the end of the middle-class lifestyle to which they've grown accustomed.

p. 199 Positive populists can offer two new insights on this issue. First, they must make the case that the trend toward contract labor reflects seismic changes in corporate political authority, rather than competitive adjustments in labor-market strategy. The public needs to understand that corporations are changing the nature of jobs to reduce the power of unions and workers, not simply to compete better; in fact, temporary and contract jobs may hurt productivity and competition in the long run. Ultimately, what's at stake here are the basic rights of workers, not whether they can be retrained or assured of benefits. Contingent labor is a political rather than an economic strategy, and requires a political solution: corporate accountability to workers.