

***Global Reach: The Power of the Multinational Corporations.* Richard J. Barnet and Ronald E. Muller. New York: Simon and Schuster, 1974.**

## **PART ONE**

### **Chapter ONE: The World Managers**

### **Chapter TWO: From Globaloney to the Global Shopping Center**

### **Chapter THREE: Personal Identity and Corporate Image**

### **Chapter FOUR: Corporate Diplomacy and National Loyalty**

"The campaign to make one's primary identification with a product or style of life rather than with a political community is crucial to the evolvment of the corporate vision of a 'world without borders.'" [89-90]

Global corporations develop an elite in developing nations whose personal futures are reliant on placing their fundamental loyalty in the corporation – and thus become tolerant of outside economic penetration of their nation. [92]

"... reality is less neat than college-course catalogs." [96]

"Official U.S. policy of buying the local military with prestigious equipment neatly dovetails with the corporations' own strategy of making local businesses and politicians into good global citizens." [99]

Yet: "... industry will depend upon the military power of the state to ensure the uninterrupted supply of its lifeblood." [100]

U.S. National War College study on multinational corporations as a means for American values and life styles to prevail over other cultures. [101]

"The conflict between the managers of global corporations and the managers of the U.S. Government is certain to grow as more and more crucial decisions about what the United States is going to look like in the twenty-first century pass into the private hands of business enterprises which proclaim themselves to be supranational and post-American." [104]

### **Chapter FIVE: The Great Crusade for Understanding**

"Ralph Nader had disturbed the American love affair with the automobile by demonstrating that the family car was a dangerous mistress." [108]

University and corporate structure. Note: Only independent institution. [*je: not Church?*]

"Criticism... would be muted." [118]

"The ancient political question 'By What Right...?'" [*je: apply to Blackwater, etc.*]. [119]

"... postpolitical world order." [120]

## **PART TWO**

### **Chapter SIX: The Global Corporations and the Underdeveloped World**

Exploitation or development? Re: 3rd World. [147]

### **Chapter SEVEN: Engines of Development?**

'Development' = embellishment of the myth of progress. [148]

"Increases in national income, Mr. McNamara points out, 'will not benefit the poor unless they reach the poor.'" [150]

"... a caricature of progress." [150]

"The unfortunate role of the global corporations in maintaining and increasing poverty around the world is due primarily to the dismal reality that global corporations and poor countries have different, indeed conflicting, interests, priorities, and needs." [151]

Corporation's goal = "worldwide profit maximization." [151]

"... three basic components of corporate power: finance capital, technology, and marketplace ideology." [152]

79% of U.S. corporate net profit taken out of Latin American countries. [153]

"... decrease the availability of local capital for locally owned industry." [154]

"When global companies buy from and sell to their own subsidiaries, they establish prices that often have little connection to the market price. Indeed, when the corporate headquarters is acting as both buyer and seller, the very concept of the market has lost its significance." [157]

"... the basic conflict in outlook, interest, and goals between the global corporation and countries trying to solve the problems of poverty, unemployment, and inequality." [159]

"Global companies have on the whole tended to benefit from military coups such as those that Brazil and Bolivia have experienced in recent years." [162]

"The proposition that developed and underdeveloped countries will get rich together through the expansion of global corporations is, at best, exactly half true." [162]

"A crucial resource of any society is its capacity to develop the right kind of technology for its own needs." [163]

Against this, global corporation = technology for the sake of maximizing its own profits. [163]

Corporations transfer the kind of technology poor countries least need – too complex and expensive. [165]

[je: cf. Paul O'Neill on wells in Africa; *Blood Money* on Iraq.]

"For the most part it is technology for enhancing private consumption, not for solving social problems." [166]

Job destruction: "... poor countries abound in human resources – yet unemployment grew alongside 'development' in the 50s and 60s." [166]

"Managers who serve under the tyranny of the annual balance sheet cannot afford long-term visions." [172]

The role played by the Ministry of Propaganda shaping values/tastes/attitudes in 'closed societies,' is played by corporations in the 'free world.' [172]

Transfer of the consumption ideology. [173]

"... corporate strategy actually reinforces the sharp class cleavages that exist in all poor countries." [174]

"... the mobile minority... live imported lives." [174]

Advertising creates "mental clichés" (Evangeline Garcia). [176]

Advertising creates "a psychological dependence." [176]

"Marketplace ideology has a political impact on the poor in this century not unlike that of the state Church in past centuries." [176]

"... traditional values such as religion, politics, and relaxation are tossed aside in favor of the imported values of the U.S.-produced TV programs." [177]

"... the consumer is so thoroughly subject to the dictation of the modern technology of manipulation." [178]

"... agribusiness, which controls an ever-increasing share of production, uses dollars instead of proteins and calories as the test of what to grow, and what food is grown is increasingly exported." [182]

And advertising has helped change dietary habits. [182]

"... commerciogenic malnutrition." (Derrick Jelliffe). [184]

"... companies are investing heavily in campaigns to sell nutritionally marginal food to economically marginal people." [184]

"... two distinct worlds – one featuring rising affluence for a small transnational middle class, and the other escalating misery for the great bulk of the human family." [184]

"The dictates of profit and the dictates of survival are in clear conflict." [184]

#### Chapter EIGHT: The Power of the Poor – Changing Prospects for a Postcolonial World

"How one looks at the problem of world poverty has a great deal to do with the view from one's window... On the fifty-sixth floor of a Manhattan skyscraper, the level of self-protective ignorance about what the company may be doing in Colombia or Mexico is high." [185]

"... a psychological need *not* to know." [185]

"... the gulf that separates corporate image from corporate reality." [186]

“... the extraordinary profits which global companies by virtue of their superior power have been able to make in poor countries have represented a kind of subsidy for the American consumer.” [189]

“There comes a point at which large numbers of people can no longer be terrorized into accepting the certainty of misery.” [192]

Vulnerability of the great powers – “... the rich countries will need the poor countries as much as, if not more than, the poor countries will need them.” [194]

Poor countries with natural resources now have a choice of customers.” [195]

Poor countries are also growing in knowledge: “... technical information about the behavior of corporations.” [197]

“But overcoming traditional tribal, religious, and political differences in the interest of economic survival is now seen as a necessity among politicians in many poor countries.” [198]

OPEC sees high prices as a form of “reparation for years of wanton exploitation by the oil companies.” [198]

Among poor countries – “... some solidarity across product lines.” [199]

A new ‘domino theory’ – when one nation learns how to control a corporation’s behavior, that knowledge passes to other nations. [200]

“... the Japanese are less impatient than Americans. They are readier to settle for a smaller profit this year or the next in the hopes of establishing a more stable long-term relationship.” [202]

Mounting pressure on politicians in poor countries to demand more concessions from corporations.” [204]

But even when tougher laws are passed, corporations are very good at circumventing them. [205]

The “consumer ethic” is a powerful tool in the hands of corporations. [207]

### **PART THREE**

#### **Chapter NINE: The LatinAmericanization of the United States**

Principal elements of global transformation:

1. Rise of global capitalism = globalization of oligopoly capitalism. [213]  
“The new corporate structure is the culmination of a process of concentration and internationalization that has put the world economy under the substantial control of a few hundred business enterprises which do not compete with one another according to the traditional rules of the classic market.” [213-214]
2. “... the interest of these enterprises is global profit maximization, which... may require profit minimization in certain countries under certain circumstances.” [214]

The interests of global corporations and nations may conflict. [214]

3. Poor nations are increasingly becoming the sites of new production, which is changing employment patterns and living standards in the U.S. [214]
4. This global economic process is producing a new concentration of political power in what are, in legal and political terms, private hands." [214]

Corporate managers are not accountable to the people, even though their decisions have more impact than those of most generals or politicians. Their power lies in control of three forms of knowledge: (a) technology of production and organization; (b) technology of finance capital; (c) technology of marketing. [214]

Changes in the United States regarding the pattern of production, distribution of income, and balance of power within society "increase its resemblance to an underdeveloped country." [214-215]

Gap between rich and poor is widening; middle class is declining. "The welfare population largely comprises unskilled workers for whom jobs do not exist." [215]

People living "without decent food, light, plumbing – without dignity or hope." [215]

In the context of "American expectation of something bigger and better every year," these indicators of a decline in standard of living are unsettling. [215]

"In the interest of maximum global profits, the managers of the world corporation are creating, often unconsciously, a global system in which the long-term role assigned to the United States is completely changing what it produces and what its people do." [215-216]

"... the United States is becoming a service economy and a producer of plans, programs, and ideas for others to execute." [216]

The effects of this are concentrated in certain sectors and regions. [216]

Redistribution of wealth and income is in the tradition of underdeveloped countries. [216]

John Kenneth Galbraith "has called our attention to the commonplace but still curious phenomenon that pleasant work is generally much better paid than unpleasant work." [216]

"... contrary to the American Dream, there is a trend in the United States toward greater inequality." [216]

"... increasingly dependent on the export of agricultural products and timber to maintain its balance of payments and increasingly dependent on imports of finished goods to maintain its standard of living." [217]

Petroleum giants as "the pioneer global corporations." [218]

"Because the petroleum companies have had near-monopoly power over production and distribution, they have, for much of the last generation, been able to set world market prices at will. This explains, in part, their extraordinary profits." [219]

“The companies have been able to use their enormous profits from foreign operations to finance their expansion into the energy fields which they hope to dominate in the next generation.” [220]

The oil companies made “spectacularly wrong” projections about supply and demand. [221]

“It has been in the interest of the companies to orchestrate the worldwide flow of oil in such a way as to maximize profits.” [221]

“In the late 1950s, the oil companies finally went too far in taking advantage of their superior bargaining power with the producing countries.” [223]

“The worldwide energy crisis is not a problem of absolute shortages of energy sources. It is a political crisis over who shall control these resources; who shall decide where, when, and how they are to be distributed; and who shall share in the enormous revenues.” [223]

“Having absorbed well their lessons at the Harvard Business School and the London School of Economics the new oil technocrats of the Middle East have elected to limit the exploitation of their reserves to delay their exhaustion and to maximize their profits.” [223-224]

Global oil companies as “mere tax collectors for the sheiks.” [224]

“To try to keep the U.S. balance of payments in equilibrium, the United States must export increasing amounts of agricultural products.” [225]

But large exports reduce domestic supply and, thus, raise prices.” [225]

Arab countries’ huge dollar reserves “pose a serious problem for the world monetary system...” soon, “the claims outstanding may well exceed the goods, services, and investment opportunities of interest to the oil-producing nations.” [225]

“Thus the glut of dollars no less than the scarcity of oil threatens the stability of the international structures for the creation and maintenance of wealth.” [226]

“Increasingly, poor countries of the underdeveloped world are coming to understand that their very survival depends upon their taking control over their natural resources and using their increased bargaining power to end what has amounted to a subjugation of the rich nations.” [226]

Huge profits in poor nations have been central to the operation of global enterprises. [227]

The North’s standard of living has been dependent on the power to extract favorable terms and conditions from poor countries. When that changes – “the three-way conflict between the global corporate, American consumers, and poor countries is likely to become more acute.” [227]

A troublesome question: if the decisions of global corporations have been hurtful to American society, how is it that those decisions have been allowed to be made? [228]

“... those decisions are producing plainly irrational results for the majority of Americans.” [228]

“An understanding of the process by which the power to make crucial economic decisions for a society becomes concentrated in a few hands is the intellectually key to understanding how and

why such decisions are made. Major social analysts such as Max Weber, Thorstein Veblen, and Joseph Schumpeter have amplified and explained the obvious relationship between economic power and political decisions and in particular why concentrated power produces decisions to the advantage of the few and to the disadvantage of the many." [228]

"Adam Smith... warned about the social effects of concentrated economic power." [228]

"... there are intrinsic requirements of global oligopoly capitalism that lead to even-increasing concentration of power and wealth." [228]

"The global corporation, essentially because it does most of its trading with itself, has delivered the coup de grace to the market." [229]

When buyer and seller are essentially the same, the notion of fair market price is lost. [229]

"... corporate managers have far more freedom than classic entrepreneurs to arrange profit-maximizing strategies at the expense of public interest." [229]

"... a postmarket economy." [229]

"The concentration of power necessarily involves the decline of countervailing power." [229]

"... the top 500 corporations have dramatically increased their position of dominance in the American economy." [230]

Power of the mass media. [231]

"The principal purpose of this mass diffusion of news and entertainment is to sell products." [232]

"The same groups (the banks and financial institutions) that are the major sources of noncorporate finance capital also have significant interests in the communications media. The process by which large corporations use their predominant power to gain increasing control within one sector of the economy and then to use that power to gain control over other sectors – i.e., cross-subsidization – goes far to explain the rapidity with which the global corporations accumulate ever-increasing power and undermine sources of countervailing power." [232]

"... the concentration of power has proceeded in the finance sector at an exponential rate." [233]

"... they [banks] also dominate other sectors of the economy as well." [233]

Three strategies used by banks to expand their control of non-banking sectors: [233-234]

1. Use of their enormous holdings of industrial stocks to influence corporate decisions. [233]

2. "... liberal use of the interlocking directorate" – bankers often sit on corporate boards, and corporate officers often sit on bank boards." [235]

Louis Brandeis called this practice "the root of many evils." [235]

3. Cross-subsidization – banks have increasingly entered (and eventually dominated) unrelated fields (such as insurance and equipment leasing). [237]

Being owned by a holding company permits a bank “to transcend legal and financial restrictions that pertain to banks and to cross geographical borders otherwise barred to them.” [238]

For banks, credit cards are “a way of selling 18-percent loans without taking up a bank officer’s time.” [238]

Large banks are “in a position to make too many crucial decisions affecting the rest of us.” [239]

Banks play two different roles – one in the regulated and another in the unregulated sector of the economy – with different public controversies. [239]

In *nonregulated* sectors (drug, computer, communications) banks play a crucial role in supporting company management by facilitating its acquisition campaign. [239]

Bank finance mergers, enabling companies to grow; in turn, the enlarged companies have high cash-flow requirements. [239]

The issue is that bankers are in a position to use their concentrated financial power against the public interest. [239]

Wright Patman: “One of the favorite pastimes of concentrated financial power is promoting concentration in nonfinancial industries.” [240]

The *regulated* industries (e.g., utilities, airlines, radio and TV, railroads, telephone companies) represent essential services of the society, the basic infrastructure on which economic growth depends. [241]

Banks influence such industries toward purely financial concerns (and thus acquisition and mergers) even when these are detrimental to their essential services. [242]

Being essential to society, these industries will never be allowed to fail by government, which makes them attractive investments for banks (“bankers’ socialism”). [243]

Often, there is a combination of huge external debt owed to banks and heavy representation of bankers on boards of directors. [243]

“A whirlwind tour of who owns America... is essential to an understanding of the preeminent power of the global corporations over American society.” [244]

“... managerial control of the technology, the finance capital, and the instruments for developing and disseminating ideology rest in a few hundred individuals.” [245]

“... the planners for our society.” [245]

Veblen had theorized that the emergence of salaried executives to run corporations rather than founding owners would lead to divergence of interests and greater social consciousness. But as top executives acquire enormous stock options, etc., that divergence essentially disappears. [245]

Top managers often earn more from ownership than they do by salary. [246]



"The acceleration of this process by which a small number of large economic unity employ their advantages to acquire ever-greater market shares appears inescapable as long as corporate executives and government managers continue to think as they now do." [246]

Key question: "... why is there so little countervailing power to resist the corporate takeover?" [246]

Answer: "... structural weakness in major institutions of our national life." [246]

Decline of labor, small and regional businesses, government – the first two being easier to explain. "But why does government lack the power to control global corporations?" [247]

"No government dedicated to steady, spectacular economic growth as the prime tool for maintaining social peace can afford to take a tough line with big corporations." [248]

The last five administrations have staffed key parts of the Federal Government that regulate the economy "with men on loan from the great corporations and banks." [248]

"... government-business interlocks in the most strategic area of the economy." [248]

This begins with campaign contributions, which are "regarded as investments." [249]

"... regulatory agencies have been dominated by the industries they were supposed to regulate." [250]

"To a significant degree, Big Business and Big Government represent identical interests." [252]

"... our public legal and political institutions have not kept pace with the extraordinary changes in the private productive system." [252]

"... a structural lag between the public and private sectors of our social system" [252]

Government planners lack adequate knowledge. Thus, the managers of the corporations have become the principal planners for the society by default. [252]

"... knowledge is the critical component of power." [252]

"Existing disclosure requirements are hopelessly inadequate to permit government to exercise power over global corporations." [253]

## **Chapter TEN: The Global Corporation and the Public Interest – The Managerial Dilemma of the Nation-State**

Regarding the 1970s: "Exxon and its friendly competitors, having acted as the nation's sole planners in energy matters, stopped talking about tigers in our tanks and started extolling the health advantages of cold houses." [254]

"Each crisis intersects with others... an unprecedented managerial problem for the U.S. Government." [254-255]

Thesis: "... there is a connection between the mounting instability in the United States... and the structural changes in the world political economy that we have been tracing." [255]

There has been a managerial revolution in private industry that has not been matched in government. "The private techniques for avoiding regulation are more highly developed than the techniques for enforcing it." [255]

"Large corporations plan centrally and act globally, and nation-states do not." [256]

"The ease with which global corporations can conceal or distort information vital for the management of the economy as creating the same sort of administrative nightmare for the advanced industrial states that underdeveloped countries have lived with for years." [256]

"... the mystical use of the gross national product." [257]

"... the speedup of the globalization process around 1966 has made the American economy dependent upon economic activity outside the United States to an unprecedented degree." [256]

"... a global intracorporate system replacing the traditional concept of an independent market." [256]

"At a turning point somewhere between 1965 and 1968 the interrelated process of concentration and globalization was accelerating fast enough to change the behavior of our domestic economy." [258]

Question: "What structural changes have taken place in the U.S. economy as a result of the globalization process? What effect do these changes have on the government's ability to manage the economy?" [259]

Past transformations have elicited reforms:

Use of trusts —————> Progressive Era

Great Depression —————> New Deal

Government agencies (Federal Reserve, SEC, IRS) are "easily confounded by the skillful use of exotica and complexity in intracorporate dealings." [262]

Inadequate analysis and patchwork polities result from "a general failure [on the part of regulatory agencies] to grasp the fact that the changes which are occurring in the world economy are truly systematic." [262-263]

"... fashion has become a substitute for analysis." [263]

Key are "the technological breakthroughs of the accounting industry." [263]

The space-age alchemists have discovered the incantations that turn banks into nonbanks, dividends into interest, and profits into losses." [263]

"Research and development in tax avoidance conducted in programs of international business at institutions of higher learning such as New York University and Columbia University is at least five years ahead of government research on loophole closing." [263]

“Skillful obfuscation is now an essential accounting tool.” [263]

David Noll: “Accounting today permits a shaping of results to attain a desired end. Accounting as a mirror of activity is dead.” [264]

Accountants as “hired miracle workers.” [264]

“... a neat way of turning the morality of Benjamin Franklin on its head.” [264]

Warren Avis: “it is unprofitable to be honest.” [264]

Transition from the Steel Age to the Paper Age: “The contemporary corporation is obsessed more with paper representations than with real things.” [264]

“The appearance of growth and the appearance of profits in handsomely presented annual reports has not infrequently been achieved at considerable waste of intrinsically valuable commodities.” [264-265]

“The realization that the world’s long-term supply of critical materials for the support of human life and modern industry is limited may be the single most revolutionary idea in economics since Adam Smith.” [265]

Occasionally corporations “have outsmarted themselves... and ended up believing in its own fictitious losses.” [265]

“Usually, the victims of institutionalized obfuscation are the government and the public.” [265]

“... corporate loyalty at work at the subconscious level.” [265]

Psychology experiment: when asked if there were some technological projects so morally reprehensible that they would refuse to work on them, “chemists drew the line at electric chairs and electronics engineers recoiled at the thought of the gas chambers.” [265-266]

Twofold information gap for government: (1) missing information, and (2) distorted information.

Regulators do not know what they need to know to act intelligently and responsibly. [266]

Balance of payments statistics, e.g., are “totally unreliable.” [267]

“... access to information is becoming ever more crucial to the management of both the large corporation and the modern industrial state. How the information war between business and government turns out will determine their relative power positions.” [267]

Concentration/globalization of the U.S. economy “has negated the market as a social institution in significant ways.” [268]

Crucial public functions: allocation and distribution of resources, setting social priorities, development of needed goods and services. [267-268]

Implicit assumption of Keynesian theory: “... buyers and sellers will be able to arrange their private affairs in such a way as to pay via government such public costs of production” as, e.g., pollution. [268]

“It also assumes that government administration can rely on prices as signals for allocating resources in the society.” [268]

By the late 1960s, the market no longer worked adequately as social regulator because its effects had been negated by two cumulative and mutually-reinforcing economic developments: the (1) concentration and (2) globalization of key industries and financial institutions. [269]

“But the pattern of oligopolistic competition for ever-greater shares of the market and its accompanying grow-or-die ideology now mean that corporations will continue to borrow regardless of the cost of credit simply because of their power to ‘pass on’ their cost increases to customers who have no alternative.” [270]

Since the ‘sellers’ of ‘national security’ tend to be oligopolies, and government spending tends to accelerate the process of concentration and promoting a ‘dual economy’: government spending goes overwhelmingly to ‘center’ industries, not ‘peripheral’ ones. [273]

“pentagon checks... go... to the industries with the highest profits, the highest wages, and the least unemployment.” [273]

From 1958 to 1973 corporate tax contribution declined from 25.2% of federal revenues to 15%. [273]

“Income is being reallocated by the tax system in such a way as to subsidize corporations at the expense of other taxpayers.” [274]

“... corporate welfarism”: “The largest and most powerful corporations pay less than their weaker competitors.” [274]

Regarding consumption of fossil fuels and paper products – “Industry planning has been devoted to removing any inhibitions we may have against the extravagant depletion of our natural resources.” [275]

“Under the tyranny of the annual balance sheet..., corporations have little incentive to plan for future resource scarcity, especially since they could anticipate profiting from such scarcity.” [275]

This negates “the social function of the market as resource allocator.” [275]

“Were the invisible hand attached to a rational brain, it would arrange our affairs differently.” [275]

“We would not see corporate taxes going down during the same period in which corporate pollution of the environment is going up. Yet, as we saw, the corporate share of the tax burden is being reduced as the social impacts of corporations are sharply decreased.” [275]

“... governments are increasingly powerless to recover the social costs of production... through taxes.” [275-276]

Widespread use of ‘transfer pricing’ creates “what amounts to a private economy.” [277]

Prices are insulated from real market pressures. Price is “a matter of relative power.” [277]

Transfer pricing “distorts the interaction of the international market and the domestic market.” [277]

When prices are set to shift money rather than reflect true market value, “there can be a net drain for the society as a whole even as the corporation is maximizing its own global profits.” If a U.S. firm undervalues exports, e.g., the American economy gives up more resources than it gives back in foreign exchange.” [277-278]

“... a principal use of central planning in the global enterprise is tax minimization. Here the use of accountants to stage-manage multiple layers of reality is particularly effective in keeping the tax collector confused.” [279]

The tax code “is strongly biased in favor of foreign investment.” [279-280]

“A tax haven is in reality an accounting drama.” [282]

“In 1971 the Fidelity Bank of Philadelphia, one of the country’s largest, made loans of \$120 million from its Nassau branch, but the branch consisted of one desk, a closet, a file cabinet, and a telephone.” [282]

“... global corporations are making massive use of unrecorded transactions for shifting liquid assets in anticipation of devaluation.” This causes inexplicable inflows and outflows to national economies. [285]

“... for their own purposes a handful of men can for the first time quickly and effectively undercut the ability of central banks to defend their currencies.” [286]

In the 1950s and 1960s downturns in the U.S. economy coincided with upturns in most other national economies. Since then, the business cycles of the major industrial countries have converged. [287]

This is largely due to “the speed at which the world political economy is being integrated through the globalization of its largest corporations.” [287-288]

Now, “an event in one part of the world has an immediate impact in other parts.” [288]

“The convergence of business cycles is a major factor complicating the task of maintaining stability in each national economy.” [288]

From the late 1930s through the early 1960s, “there was a redistribution of income along more egalitarian lines.” Since then, an “income counterrevolution” has followed.” [290]

“The deterioration of income distribution appears to have gathered momentum in the same years during which the twin processes of concentration and globalization in the U.S. economy also became evident.” [292]

Because large corporations have absorbed thousands of smaller firms, their stock represents an increasing share of America’s total productive wealth. And: “A significant share of the stock of the largest global corporations is going to their own top managers.” [294]

“Under modern capitalism, the bargaining power of unions is important for maintaining equilibrium between capital and labor.” [296]

“Concentration and globalization have weakened labor’s bargaining power, and the result, not surprisingly, is that middle-income and low-income workers are sharing less in the new prosperity.” [297]

“The return on foreign investment which generates interest, dividends, and fees not blue-collar wages for American recipients is thus a benefit to capital but not to labor.” [298]

Widely divergent positions on whether corporate foreign investment has positive or negative impact on employment reflects “not sloppy mathematics but sharply differing perceptions of reality.” [299]

One factor frequently overlooked by economists who argue that foreign investment fosters greater domestic employment is this: “Companies could have put more money into research and development in the United States to replace the diminishing stock of basic innovative ideas on which future production depends. Such an investment policy would have had a greater domestic multiplier effect than foreign investment.” [301]

“On computer tapes, jobs may be interchangeable. In the real world, they are no.” [302]

“the changing composition of the work force and its changing geographical location brought about by the globalization of U.S. industry are affecting the lives of millions of Americans in serious and largely unfortunate ways.” [302]

## **Chapter ELEVEN: The Obsolescence of American Labor**

Organized labor was slow to perceive what was happening. [304]

Sophisticated technology “developed with the U.S. taxpayer’s money courtesy of the Department of Defense “may be licensed abroad for higher short-term profits, with no U.S. workers benefiting from their production.” [306]

Jefferson on merchants without a country: “The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains.” [307]

“No amount of statistical magic can obscure the commonsense conclusion that servicing the U.S. market from Taiwanese and Mexican factories rather than U.S. factories deprives American workers in the affected industries of their jobs.” [308]

“Capital, technology, and marketplace ideology, the bases of corporate power, are mobile; workers, by and large, are not.” [308]

This neutralizes labor’s strike weapon. [308]

This produces “a marvelously obliging labor force.” [309]

“... free trade has become part of the holy writ of the American consensus.” [319]

“The theory that cheaply produced imports ‘discipline’ prices in the United States can perhaps be sold to those U.S. consumers who manage to get along without radios, shoes, or cars.” [322]

American labor faces “a crisis of human obsolescence” – due both to automation and to the fact that “the American standard of living requires wages which have priced him out of the market.” [323]

“... the superfluous man whose only social function is to consume.” [323]

“... decline in the work ethic is a direct consequence of changes in the nature of the task.” [324]

H.E.W. report: "American workers are restless... because of 'dull, repetitive, seemingly meaningless tasks, offering little challenge of autonomy.'" [324]

Service sector employed 3 in 10 in 1900, 6 in 10 by 1968, estimated to 7 in 10 by 1980. [325]

"The rationalization of production for profit by automation, whether on the farm or in the factory, has led to the growing obsolescence of the American worker." [326]

Globalization has accelerated this trend. [326]

"Today the man who faces a high-speed assembly line consumes his day in intrinsically meaningless muscular twitches." [327]

"The young worker internalizes the prevailing corporate myth that a person's worth is determined by his position in the hierarchy." [328]

"... the most rational and economically productive meritocracy in history." [328]

"... the greatest affront to those on the bottom." [328]

"... new docility in American labor." [329]

"American labor has lost much of the 'countervailing power' it built up in the 1930s and 1940s because companies have learned how to erode it by pitting their international mobility against the unions' immobility." [333]

Like government, labor faces a structural lag vis-à-vis corporations. [333]

## **Chapter TWELVE: The Ecology of Corporations and the Quality of Growth**

The great debate of the 1970s is over growth – less or more: "... it is asserted by partisans on various sides of the debate that all the great social issues inherited from less apocalyptic times, such as justice, democracy, and freedom, can be resolved only through a sensible attitude toward the growth of human institutions. The practical problems of politics are thus problems of scale." [334]

"... the oracular arrogance and apocalyptic passion" of the critics of growth (e.g., The Club of Rome). [335]

Pro-growth forces mobilize the power of positive thinking and trust that "technology will rescue its inventors." [335]

"Since a significantly more equitable division of the world economic pie is patently improbable, the growth advocates argue, people at the bottom have no hope but to trust that bigger pies yield bigger crumbs." [335]

"In the lexicon of the modern corporation and the modern nation-state alike, the opposite of growth is death." [335]

"The raison d'être of the global corporation is planning for growth on a global scale. It is the institution with the most direct responsibility for producing malignant growth in modern society, and accordingly,

under the present system, it is the one institution on which hopes for benign growth must rest.” [336-337]

By describing the special sort of growth produced by global firms and understanding the relationship between the structure of the firm and its products, attention will focus on three different sorts of products: (1) waste products, i.e., the impact of corporate expansion on the environment; (2) Intended products: given internal corporate focus on profits, growth, and security, how responsive can global oligopolists be to social needs?; (3) the kind of human growth fostered by big corporations: what kind of personal growth is fostered, and what impact do career pressures have on social planning? [337]

*Contra* “technological determinism” – “Men decide to make machines and they decide how they shall be used. Most of the decisions are now made in global corporations.” [338]

“... the contaminating and energy-draining consequences of industrial progress.” [340]

“What emerges is a clear pattern of decisions made by the leading corporate controllers of technology that has led to the increase of pollution and the squandering of resources at a geometric ratio.” [340]

It is in the short-term interest of corporations to develop pollution-prone technologies.  
[340]

“Ecological damage is thus a direct consequence of the quest for ever-increasing profits.” [341]

Social costs do not show up in the corporation’s annual statement.

“Productivity without regard to its ecological effects in order to satisfy ‘needs,’ whether they are programmed by a government planning agency or by a corporations advertising department, is a recipe for environmental disaster.” [342]

“The disastrous ecological effects of modern technology are a direct result of their economic success.” [342]

“... unintended consequences which corporate engineers and managers are paid not to think about.” [342-343]

“The same invincible logic that puts weapons manufacturers in the Pentagon and bankers in the Treasury is now making environmental caretakers of some of the nation’s leading polluters.” [346]

“... environmental policy is so clearly tailored to the interests of the global corporations.” [346]

Corporations spend the nation’s social capital for the accumulation of finance capital. [346]

A corporation’s private productivity is “the justification for its assault on nature.” [346]

Regarding the neoclassical economist’s ‘market’ – do people “really prefer lipsticks to breathable air?”

Galbraith: The large corporation “can create and control the market.” [347]

“The bigger the corporation, the bigger the company airplane, the higher the salary, and the more indistinguishable from owners top managers become” [349]



"The relentless drive for new acquisitions is more for the balance-sheet drama than for product excellence." [349]

"... products are shaped not to the requirements of public need but to the requirements of corporate growth." [350]

Marketing as "the science of need creation." [350]

Most scientific breakthroughs occur in "bedrooms, garages, and makeshift laboratories" – not in corporations. [350]

Koestler: scientific creativity involves "'large chunks of irrationality,' and hence insight cannot be programmed or organized." [350]

Large corporations "have a longing for stability and security" – in fact, they invest heavily in "technology suppression." [351]

"... the consumer is much less of a 'sovereign' than he was when there were a greater number of firms producing essentially different products." [351-352]

Given advertising budgets: "The consumer must, of course, pay the costs of his own seduction." [353]

"A passion for quality and craftsmanship increases costs and inhibits company growth. Accordingly, those who may still harbor such nineteenth-century attitudes do not rise to commanding positions in the global oligopolies. The productivity of the modern corporation is defined not by what it produces but by how much its earnings grow." [354]

Internal structure of the global corporation shapes both the kind of product it produces, and the character of the people who work for it. [354]

Depression resulting from the fact that "more and more managers cannot accept the goals of their corporation." [356]

"The extraordinary psychic and financial rewards of top managers do not encourage moral doubts. [357]

"Routinization and compartmentalization of managerial function is the executive equivalent of the assembly line." [357]

"... molding managers to corporate needs" ... "takes a human toll."

"The disparity between what modern man needs and what the modern corporation produces appears to be widening." [359]

"... the fruits of frivolous production." [360]

"Providing ever more sophisticated products for an affluent minority is highly profitable. Providing for the basic sanitation, nutrition, health, transportation, and communication needs of the majority within the present postmarket economy is not." [361]

The global corporation is "inherently undemocratic." [361]

“The success of a social system ultimately depends upon the achievement of balance” – social / ecological / psychological. [361]

“The empirical evidence to date casts great doubt on the capacity of a global system dominated by global corporations to achieve such equilibrium.” [362]

### **Chapter THIRTEEN: The Transformation of Wealth and the Crisis of Understanding**

“The global corporation is the most powerful human organization yet devised for colonizing the future.” [363]

“In making business decision today they are creating or politics for the next generation.” [363]

“... a vision without ultimate hope for a majority of mankind.” [364]

“As a global distributor, [the global corporation] diverts resources from where they are most needed (poor countries and poor regions of rich countries) to where they are least needed (rich countries and rich regions).” [364]

The search for economic efficiency “appears... to challenge traditional loyalties to family, town, and nation.” [365]

“... helps to destroy the possibilities of real community.” [365]

“As social, ecological, and psychological imbalance become more pronounced, the temptation increases to maintain the appearance of stability with repressive measures.” [367]

“... the self-imposed limitation on power is not characteristic of human institutions.” [368]

The need is “to develop countervailing power in such a way as to achieve greater social, ecological, and psychological balance.” [368]

“But unless short-range reforms are examined in the light of long-range preferences, they are likely to be ineffective or even regressive.” [368]

A key reform regards disclosure: “there must be some fundamental reforms in the process by which information crucial for society is produced, used, and diffused.” [369]

“The books of global corporations – that is to say *all* sets – ought to be public documents.” [369]

An important task of foreign policy is harmonization of disclosure requirements. E.g., “an international convention for standardizing accounting definitions and practices.” [370-371]

“Paradoxically, the precondition for effective international regulation, in our view, is the restoration of certain powers to national governments and local communities to manage their own territory.” [373]

Sovereignty as “the exercise of publicly accountable power for the public benefit.” [373]

“The underlying reason for the socially disruptive effects of global corporations is that they are still treated as private organizations despite their increasingly public role.” [374]

Myths of nineteenth century free-market capitalism: “... private entrepreneurs take private risk for private rewards.” [374]

“The free market is largely a historic relic.” [374]

The free market has been transformed by three systematic forces: (1) concentration of industry and banking; (2) interventions of government; and (3) the rise of intracorporate (non-market) economy. [374]

The classic social functions of the market have been largely negated. [374]

The “technological skills which are the basis of the corporations’ power represent not private but social property. The technology was assembled with direct subsidies, tax write-offs, and other benefits traceable to the public treasury. The social capital of the nation – its air, water, and mineral treasure – has been expended in the process. Much of the foundation of the extraordinary wealth of global corporations, therefore, is social property in origin and character and ought to be treated as such.” [374]

“So too, many of the risks of the global enterprise are social.” [374]

“The crucial point, however, is that the power of the corporation, a private organization with limited purposes and extremely limited accountability, must be circumscribed to permit broadly accountable, democratically selected, and socially committed public authorities to govern.” [375]

“The United States needs a natural development plan which sets out a vision of the society we are hoping to achieve and the policies for achieving it.” [375]

“We need an urgent public debate...”

“We already live in a mixed economy, and it is now time to re-examine the mix.” [376]

A national development plan “should strive toward more participation in the work place – worker sovereignty – and more real participation in the political process – citizen sovereignty.” [376]

Three main approaches:

1. Encourage investment in the United States to meet the basic needs of the American people, stimulating the buildup of the social capital of the United States. [376]

The bias in our laws favoring foreign investment should be systematically removed. [376]

Undertake a heavy investment in the public development of a variety of technologies to make the American people ‘self-sufficient.’ [376]

Investment in job-creating technology should take priority over job-displacing technology. [377]

2. Encourage a more equitable distribution of income and wealth both in the United States and worldwide. [377]

“The systematic connection between concentration and bigness, on the one hand, and maldistribution of income and political power, on the other, is so strongly supported by the evidence that an explicit policy to reverse these systematic trends is needed.” [377]

3. Reasonable level of self-sufficiency in raw materials and manufactured goods. [378]

Gilpin: U.S. as “a rentier society which lives off investment income.” [378]

“The global enterprise may spread wealth geographically, but it concentrates it politically and socially. Thus in fulfillment of its global vision both justice and stability are eluded.” [379]

“The essential strategy of the global corporation makes it an antagonist of local interests everywhere.” [379]

“There is always a price to absentee ownership.” [379]

“Foreign ownership and control destroys local initiative and precludes the development of local entrepreneurial talent.” [380]

“The issue that remains is not ‘socialism versus capitalism,’ as it used to be put, but whether government intervention in an evolving, mixed economy is going to reinforce the present patterns of distribution in the direction of greater equality and better social services for the majority.” [381]

Federal legislation setting standards for building up the countervailing power of local countries and labor. [383]

“A corporation should not be allowed to move into a country, pollute it, drain it financially, build dependencies, and then disdain responsibility for the problems it creates as it leaves.” [382]

“Candidates for membership on regulatory commissions should be elected, not appointed. Their constituency should be the public, not the industry they are regulating.” [383]

“the rise of the global corporation is the culmination of the modern industrial era, the playing out of a certain system of values. The prospect of the Global Shopping Center confronts the species with a series of fundamental choices about the purposes of human existence. Unless we are prepared to look at those questions at the deepest level, our response to the accelerating human predicament will be trivial.” [353]

“As long as the contemporary corporate definition of efficiency is accepted by society as a whole the global corporation will dominate our public life.” [384]

“But perhaps it is really necessary to choose: Centralization vs. decentralization. Private power vs. public participation. Global politico-economic empires vs. communities founded on face-to-face politics. A process of equitable distribution of access to goods and claims on the future, which are the indispensable bases of freedom and the power to exercise political choice, vs. an ever more sophisticated system of accelerating repression. The search for stability through mindless growth vs. a more modest model of stability.” [384]

Two inescapable imperatives for human survival: (1) each generation must act as trustee for the next; (2) there can be no freedom in a world system rooted in social injustice. [384]

“An American political economy that is less and less able to offer stability for the middle classes or hope for the poor can be governed only with the same heavy hand now so familiar in failed democracies around the world.” [385]

“The political functions of the market – to replenish social capital, to achieve social balance, and to preserve and expand the possibilities of human freedom – have been negated by its own creatures,

global corporations that operate beyond markets. The market as an effective political management and distribution system is almost gone, but the myth of the market still forestalls serious public planning. The market mentality, to use Polanyi's term, is still a driving force for more mindless accumulation and waste." [385]

"We are all prisoners of old political labels. The new system needed for our collective survival does not exist." [385]

"The purpose of social organization ought to be human development – the building of structures that give individuals, acting in cooperation with others, the rights and powers of participation where they work and where they live." [386]

"The democratization of institutions – toward increasing employee management in the factories, neighborhood government, direct participation of citizens in community reform, and publicly controlled institutions – is not efficient in terms of corporate profits, but it appears to be much more efficient than the Global Shopping Center in developing the potential of human beings for developing the potential of human beings and for saving scarce, exhaustible resources." [386]

"The search for a systematic alternative is intrinsically bound up with a change in the global value system." [386]

"The goal of infinite accumulation was not present in the Middle Ages. Greed is a special characteristic of our modern economic system, which depends upon it as a primary incentive of social organization. The market mentality which puts economic activity, irrespective of purpose, at the center of the universe is a product not of human instinct but of social organization. Competitive individualism, a system in which community develops from common consumption rather than shared feelings, is increasingly incompatible with survival of the species, but it too is socially conditioned, and hence new values can be learned to take its place. The values needed for survival, if one reflects on it, turn out to be the familiar democratic values preached by prophets and sages since the beginning of history – respect for human dignity, justice, frugality, honesty, moderation, and equality." [386]

An awakening to these values is necessary for survival. [386]

"... the development of new knowledge becomes absolutely crucial." [387]

"... knowledge and values are inextricably bound up with each other..." [387]

"If we are to survive as a species, we shall need to cultivate a profession of alternative political assumptions..." [387]

"... we need to encourage a variety of analyses that attempt to deal with social, ecological, and psychological reality together." [387]

"... social experimentation..." – the U.S. should use its surplus capital to finance experiments. [387]

Suppression of social experiments abroad (Cuba, Chile) is short-sighted as well as cruel. [388]

“In confronting a threatening future, the only advantage we have over the dodo is a dynamic consciousness to match a changing environment.” [388]