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AMERICA, INC., Who Owns and Operates the United States by Morton Mintz & Jerry S. Cohen

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BOOK REVIEWS

AMERICA, INC., Who Owns and Operates the United States. BY MORTON MINTZ & JERRY S. COHEN. New York, N.Y.: Dial Press, 1971. Pp. 377. $10.00.

With a presidential election approaching, we can expect an outpouring of rhetoric over our nation's problems and prospects. One source book for this debate will very likely be *America, Inc.*, a best-selling catalogue of the self-serving conduct of concentrated corporate power in the United States.

Written by Morton Mintz, an investigative reporter for the Washington Post, and Jerry S. Cohen, former chief counsel and staff director of the Senate Anti-Trust and Monopoly Subcommittee, the book presents innumerable illustrations of corporate dominance over the executive, legislative, and judicial branches of the federal government, federal regulatory agencies, and the consumer. To cure the social imbalance on this "tour through a state of concentration," the authors propose control of corporations through federal chartering and a major federal program of government ownership, enforced competition, and quality stimulation.

The substance of *America, Inc.* is that the barons of concentrated corporate wealth in the United States have a consistently winning game plan because they have the capacity to stack the deck in their favor. The authors' collected episodes demonstrate that concentrated corporate power has destroyed the regulatory function of the market place by establishing protection for monopolistic inflations in price and deterioration in quality. This corrosive tendency goes unchecked for lack of effective supervisory capacity in government. Elected and appointed officials, in return for financial favors, accomodate the performance of their official duties to suit the interests to which they are indentured. Concentrated corporate wealth has become a private government, acting for its own interests and effectively accountable to no one. It holds the ultimate key to American life.

If these propositions are not startlingly new, the evidence of concentrated corporate power and its excesses is still disturbing. No one can doubt that the most powerful institution in America today is the giant corporation. General Motors, for example, the world's largest industrial corporation, has an annual revenue greater than that of any foreign government except the United Kingdom and the Union of Soviet Socialist Republics. In 1965 GM's sales exceeded the combined revenues of the state and local governments of New York, New Jersey, Pennsylvania, Ohio, Delaware, and the six New England states. Putting the figures for 1965 on an hourly basis, GM's sales were $2.3 million per hour and its profit after taxes was $242,649 per hour.

Economic power is concentrated in a relatively few corporations. America's 200 largest industrial corporations controlled 48 per cent of the manufacturing assets in 1948, while today they control 58 per cent of those assets. The top 500 firms control 75 per cent of the nation's manufacturing assets. American corporations are vast not only in volume but also in scope. Textron, Inc., for example, by 1965 had acquired nearly 70 different companies outside the textile industry, comprising 37 industrial categories ranging from aircraft parts to watch bracelets.[1] The authors explore the relation between efficiency, invention, and size and conclude that the recent trend toward conglomerate growth is contrary to efficiency, inhibiting to invention, and is based only on the desire of the corporation to sense itself as a financially expanding organism.

The consequences of concentrated private economic power are inflated prices, deterioration in quality, and the erosion of effective supervision. With regard to prices, large corporations sharing the market among themselves abide by the convention that competition shall not extend to price. One company raises its prices to the accompaniment of sympathetic explanations by officials of other corporations in the same industry that the increase was necessary in light of conditions in the industry. The financial troubles of the industry rather than those of the individual corporation are always the point of reference in justifying a price increase. Soon after the initial price increase, the other corporations follow. Increased costs are thus readily passed on to the consumer rather than absorbed by the manufacturer. However, decreases in demand do not cause a reduction in prices among concentrated industries. They prefer to maintain price and incur reduced productive capacities, causing unemployment. The authors estimate that price competition ceases to function effectively at the point where the four largest firms hold 50 per cent or more of the market. Approximately 25 per cent of American manufacturing fits these criteria, and the consequent inflation in prices causes American consumers to spend 30-40 per cent of their dollar without obtaining any return in product value.[2]

Concentrated corporate power produces not only an inflation in price, but also a deterioration in quality. The resistance of the American automobile industry to more adequate safety devices furnishes several examples. For years the auto industry declined to introduce seat belts. Industry pressure discouraged any single company from introducing effective seat belts. Not until the Department of Transportation publicized the results of a Volvo study demonstrating the substantial decrease in deaths and in-

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1. Prior to a consent decree with the Justice Department in September 1971, the operations of ITT, another vast conglomerate, extended far beyond communications equipment to auto parts, heating and air-conditioning systems, baking, restaurants, hotels, car rental, residential housing development, and fire, health, and life insurance. ITT ANNUAL REPORT (1971).

2. Inflation in wages and prices is thus revealed to be a symptom of the concentrated structure of the market. We should not expect, therefore, that the regulation of wages and prices, however effective, will alleviate the underlying structural cause of such inflation or the additional symptoms of unemployment and sluggish price reductions.

juries from a belt-harness combination did Studebaker break ranks to make the lap belt standard equipment. Detroit manufacturers thereafter adopted the belt-harness combination as standard equipment in 1968 models.

Correspondence forty years ago between Lammot duPont, President of E.I. duPont de Nemours & Co., and Alfred P. Sloan, Jr., President of General Motors, reveals the underlying dynamics behind this antisocial aversion to safety. DuPont suggested to Sloan that safety glass be introduced on GM cars. Sloan resisted safety glass because it would not reliably increase GM's sales and its promotion would highlight the dangers of automobile travel. Sloan's reluctance was a predictable outgrowth of his role as he defined it. "I am trying to protect the interest of the stockholders of General Motors and the Corporation's operating position—it is not my responsibility to sell safety glass." Rather than burden the stockholders, Sloan said,

> I would very much rather spend the same amount of money in improving our car in other ways because I think, from the standpoint of selfish business, it would be a very much better investment. You can say, perhaps, that I am selfish, but business is selfish. We are not a charitable institution—we are trying to make a profit for our stockholders.

Corporate irresponsibility, as illustrated above, is tolerated because, in the eyes of society, the abuses of corporate power have the image of vigorous individualism and the legitimate pursuit of profit. These appearances make crime between individuals seem sensational by comparison. A crime of violence is a horrible spectre. It exposes the dreadful possibility that one hate-filled human can snuff out the life of another with relative ease in our society. A shiver of terror strikes our hearts when the tragedy of Kitty Genovese recurs with grim regularity in Kew Gardens around the country.

But we are not shocked by the automobile manufacturer who resists safety advances, the drug manufacturer who distributes inadequately tested drugs, or the newspaper that ignores events reflecting adversely on its conglomerate corporate owner. These decisions are made, not on the streets, but in secluded carpeted offices. The injurious consequences are speculative. The decision-maker is never confronted by those whose interests he jeopardizes. And the damage is remote in time and space from the culpable act.

For these reasons the penalties imposed on corporations and their officials who violate the public interest are light. Illustrative is the federal prosecution of Robert S. Keefer, and the brokerage firm, Coggeshall & Hicks, in which he was a senior partner. Keefer had arranged $20 million in stock transactions through secret Swiss bank accounts to evade federal income taxes and Federal Reserve Board margin requirements. Keefer pleaded guilty to the charges and at his sentencing his attorney asserted that Keefer's offense was no more reprehensible than breaking a traffic violation. Indeed, Keefer should be classified with those "who have had good careers, good reputations, and who have slipped on the ice of some regulation or some emotion or something of that kind, rather than hardened criminals who make crime a way of life." The judge reportedly gave

Keefer a $30,000 fine, a suspended one-year sentence, and a tongue lashing. A week later, an unemployed shipping clerk appeared before the same judge on a charge of stealing a Japanese television set worth less than $100 from an interstate shipment. He got a year in jail.

The authors cite many other examples of light treatment for low-profile corporate crimes. When MER/29, an anti-cholesterol drug, produced cataracts, loss of hair, and severe skin reaction in thousands of users, the corporation and three scientists pleaded no contest to an indictment of falsifying data given to the Food and Drug Administration. The corporation was fined the maximum penalty of $80,000, but this put scarcely a dent in company's consolidated income of $17,790,000 for the previous year. The scientists were put on probation for six months, where the maximum sentence authorized five years in prison and a fine of $10,000.

When a Convair 580 crashed in Ohio in May 1967, killing thirty-eight persons, the cause was traced to a "soft" piston that caused the propeller to separate and penetrate the fuselage. This defect had been known to the manufacturer of the propeller—Allison Division of General Motors—but the company had failed to notify the airlines. The FAA fined the company a mere $8,000. Similarly, when the crash of a Greyhound bus, killing one passenger and injuring eleven others, was attributed to old, regrooved tires, Greyhound pleaded guilty to a federal indictment and received a fine of $500.

These corporate "infractions" are tolerated without serious reproof because dependence upon the incorporated rulers of America is structured into our public life. Hubert Humphrey learned of this dependence when he attempted to enlist the cooperation of the oil industry during his presidential race. Humphrey wanted to kick off his campaign with a visible splash of national television advertising and sent aides to Houston to seek contributions from a group of oil millionaires. Humphrey had once favored a reduction of percentage depletion allowances to 15 per cent. The condition which the Humphrey representatives had to agree to was that Humphrey take a position favorable to oil on the percentage depletion allowances. When Humphrey aides refused to promise anything, on the pristine ground that they would not make Hubert H. Humphrey a political prostitute, the oil men refused to give them a dime.

There are other culprits besides oil. Textile interests, according to columnist Jack Anderson, have won President Nixon's support for an import quota in exchange for promised hundreds of thousands of dollars for campaign chests. The measure of their strength is that they have won the President's support even though textile quotas are predicted to increase clothing prices about 15 per cent and have aggravated relations with Japan.[3]

These episodes constitute only a partial analysis of the social malaise of our time. The concern of our society is also on welfare, desegregation, pollution, civil disobedience, prison reform, urban decay, and unemployment. These issues are rooted in a tension between the ins and the outs, the majority and the minority, the haves and the have nots, the establish-

3. Chicago Daily News, Dec. 3, 1971, at 8.

ment and the anti-establishment. The tension originates in inequitable participation in the fruits of society's political and economic life.

The critical social malfunction, therefore, must be phrased in terms of the dynamic relation between the abuses of the rich and powerful and the deprivations of the poor and powerless. The fundamental insight for reordering this relation to bring corporate power under the supervision of the entire society is that the exercise of unbridled power enslaves the one who wields the power as well as its victims. As Jean-Paul Sartre has put it: "[T]he oppressor is the victim of his own oppression. For in order to maintain his authority over the oppressed classes he is obliged to pay with his own person and to become entangled in the maze of rights and values of his own invention."[4]

How then, can the corporate power structure be domesticated and reoriented so as to release both the powerful and the powerless from their oppressor-victim relationship? The proposals in *America, Inc.* are: (1) Federal chartering of corporations to inhibit corporate domination; (2) government ownership in such arenas as health and safety where the forces of competition do not protect consumer interests; and (3) government stimulation of competition through the elimination of entry barriers, price supports, and subsidies.

The success of these suggestions obviously rests on the ability of the federal government to abandon its persistent lethargy in these arenas and initiate the domestication of corporate power. Whether the federal government will bestir itself in such a radical fashion is a serious question, and any answer to it must embrace Professor Milton Friedman's gloomy assessment, quoted in *America, Inc.,* that a governmental system *cannot* be devised "which will not be taken over by vested economic interests and exploited for the preservation and enhancement of their own wealth."

Ralph Nader, in his introduction to *America, Inc.*, hints at the transformation that must come about to equip our institutions to kick the habit of economic subservience. Nader suggests that the critical ingredient to curb corporate irresponsibility is specific accountability for corporate officials. The invisible hand, formerly thought to ensure a universal distribution of economic power, has succumbed to the corporate "mailed fist." Countervailing power, touted by John Kenneth Galbraith as preserving a balance of power blocs, has been corrupted into "accomodating power." Because "society's compassion tends to rot from the top down," a new structure of society is needed, says Nader, to generate compassion from the bottom up.

Within the corporation, Nader would reverse the diffusion of power by the establishment of loci of specific responsibility. Someone within the corporate mechanism must be held accountable by society for predicting and responding to the multiple and cumulative consequences of corporate activity. The parochial value system that insulates government-corporate transactions from public scrutiny must be exploded by the "continual assertion and defense of individual rights and responsibilities within the cor-

4. J. Sartre, *Materialism and Revolution*, in LITERARY AND PHILOSOPHICAL ESSAYS 198, 254 (Collier 1962).

porate institution." The corporate employee must regard himself no longer as the eager servant of a mindless juggernaut, but as the guardian of diverse human values and a trustee for succeeding generations. The rejuvenation of political institutions to attain power over economic institutions must proceed, suggests Nader, according to the proposition that: "Whatever touches us all should be decided by all."

More concrete proposals than those outlined by Nader in his introduction are presented by the perceptive French politician, Jean-Jacques Servan-Schreiber in *The Radical Alternative*.[5] Starting from the premise that modern society has successfully moved from the economics of scarcity to the economics of abundance, Schreiber focuses on social decision-making in an attempt to give concrete form to controversial credo that "whatever touches all must be decided by all." The broad aim of society, says Schreiber, must be to assert control over its own destiny. Men must be transformed from spectators into actors.

Schreiber declares that the corporation is a permanent focus of tension. This tension originates in the legitimate contention of three constituent forces: wage earners, capital, and management. Some would ignore this tension, or would permit its collapse by acquiescing in the dominance of one of the three constituent forces. But for Schreiber, the goal is to establish an arena within which the interplay of these forces will be creative rather than destructive. To create this tension-maintaining, solution-producing arena, Schreiber makes three suggestions. First, strengthen unions at the base so that they can negotiate with strength on all questions that effect the life of the worker—from time-tables to mergers. Second, appoint management leadership on the basis of discussion and consensus among representatives of the shareholders, unionized workers, and management. On this tri-partite basis, capital ownership and corporate control can be distinguished. Third, abolish the hereditary transmission of capital ownership to encourage the renewal of leadership in a competitive setting.

Schreiber realizes that no such steps can be taken without drastic revitalization of the political process. His operating principle is that no major shifts in society are possible without revitalization of the primary units of social activity. The absurd concentration of power at the level of the state makes power susceptible to capture by economic empire.[6] Therefore he advocates strengthening the regional and municipal political life of the country in an effort to give men back control over their own future. "Multiply the clusters which unite men," urges Schreiber.

5. Servan-Schreiber's earlier book, THE AMERICAN CHALLENGE, was a call for European economic unification to prevent American industrial colonialism.

6. A recent report by a Ralph Nader task force revealed the capture of the State of Delaware by the Du Pont Company. The report emphasized that Du Pont interests dominated the state's political life through family member Pierre S. du Pont, Delaware's only congressman, and Gov. Russell W. Peterson, a former Du Pont executive. Unfavorable publicity is muted through du Pont's control of Wilmington's two newspapers. Company president Charles B. McCoy defended Du Pont from the "distortions" of the Nader report and warned that the report's proposals would "alter drastically our economic system which is based on free enterprise." Chicago Daily News, Nov. 30, 1971 at 37.

America, Inc. catalogues the abuses of rampant corporate power. The imperative that emerges from the collected episodes is to revitalize institutional decision-making so that man at the grassroots level may shape his social future. Pressing issues of planning and accountability must be translated into institutional possibility. Lawyers, skilled at asserting and defending interests defined by the existing social fabric, must also commit themselves to the creation of an inclusive, self-renewing dynamic for the re-creation of the social vehicle. Such a trusteeship for future generations falls to those whose vocation is not empire but citizenship.

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