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1. THE ANATOMY OF CORPORATE POWER

Activists seek to locate the "mechanisms" of power, but power is not a machine. Power, the ability to make decisions and control resources, is found in the dynamics of the relationships between people. Depending on how power flows and who wields it, political and economic decisions are made and resources flow between individuals, groups, and corporations. When society's economic, political, and social structures become institutionalized, power tends to flow from people into institutions, but not back again. Power becomes concentrated.[1]

The flow of power to corporations is promoted by legal mechanisms such as corporate personhood, limits to liability, pollution permitting, and political campaign financing, and by institutional structures such as regulatory agencies, export credit agencies, and police forces and armies.[2] Together, these mechanisms and structures maintain networks of tightly-held power. Network analysis has shown that ninety percent of the 800 largest U.S. corporations are interlocked in a continuous network, with any one corporation within four steps of any other corporation in the network.[3]

Analysis of think tanks and policy groups in the early 1990s showed that the Business Roundtable was interlocked most extensively, followed by the Business Council, the Conference Board, the Committee for Economic Development, Brookings Institution, American Enterprise Institute, Council on Foreign Relations, Trilateral Commission, Hoover Institution, Chamber of Commerce, and Heritage Foundation.[4] Some of these institutions are being displaced by new ones. Interlocks are not the only source of power, and in any case, the precise measurement of power is impossible. But the enormous influence of these and other global alliances of corporate power is undeniable.

Corporations and corporate foundations fund think tanks which formulate policies which will be favorable to business. Corporate attorneys draft legislation which will make those policies the law of the land. Corporate political action committees pay for the election campaigns of the politicians who ensure that such legislation becomes law, *and* lobbyists make sure the politicians stay bought. Corporate executives are appointed to lead the regulatory agencies which enforce (or dismantle) the laws that aren't favorable to business. National and multilateral trade and development agencies design and subsidize an international trading system dominated by the largest corporations. Governments and banks use public monies to subsidize and insure corporate investment.

The elite consensus rises above the competitive advantage of particular corporations, and is larger than any industry. What unites corporations and industry associations and the wealthy and powerful is a consensus to build and maintain power itself. Corporate power is dependent on legal, economic, and political mechanisms, structures, and processes which follow a few basic rules:

- *Privatize profits.* Get as many subsidies as possible from labor, the public, and the environment. Get below-cost raw materials from the public domain. Let communities and governments pay for infrastructure. Lobby for tax breaks and tax credits. Privatize public resources and governmental services. The less visible the subsidies are, the better, but also support them with a constant repetition of the virtues of private enterprise, the rights of private property, and the equation of profits with happiness.
- *Externalize costs.* Underpay your employees, even if it means hiring children overseas to work twelve hours a day. Don't recycle your waste; don't clean it up if it's toxic; if you are caught, sue your insurance companies to make them pay. Minimize legal liability in general by claiming constitutional rights intended for natural persons.
- *Control information.* Acquire every outlet of the broadcast media, and merge their programs. Acquire independent publishers and bookstores, and standardize what they publish and sell. Write

text books from a corporate point of view, and distribute them throughout the public school system. Pay the salaries of teachers and professors and social activists until they are no longer aware that they are censoring themselves for a living. Restrain free speech as much as possible. Forbid it on private property such as shopping malls. Forbid your employees to organize or to use the workplace as a venue for civic life. Make information about corporate operations and government decision making difficult to obtain. Worship expertise and confuse data with knowledge.

- *Centralize political authority.* Pay off injured employees and citizens to stay out of court, and make them agree to remain silent about the injury. If legal liability cannot be escaped, have it adjudicated in as high a court as possible. Do not appear in local or state courts if the case can be heard in federal court. Do not go to jury trial. If possible, preempt troublesome laws through the World Trade Organization, so that even national courts have less jurisdiction. Replace government and civic institutions with private corporations.
- *Centralize economic authority.* Acquire or destroy small businesses, cooperatives, and other alternatives. Make the surviving corporations as large as possible, not for economies of scale (which were optimized many decades ago), but for the sake of centralizing authority and eliminating competition. Have a handful of corporations dominate every industry, and have them control the allocation of resources and the means and the ends of production. Control prices. Remove profits from the community, and deposit them in offshore banks to escape taxes and potential liability.
- *Remove all barriers to trade,* regardless of whether they protect desirable industries, health and safety, human rights, or the environment. Expand management prerogative beyond the workplace, into the community, into the policymaking institutions, and across all jurisdictions. Make private property and the pursuit of profit the basis of all law and all social and economic policy. Create an economy where people have to pay currency for food, clothing, shelter, and culture. Commercialize the schools. Patent species. Make life pay.

Corporate power depends upon the successful maintenance of these principles. The cultural, legal, economic, and political mechanisms used to weave the web of power are complex, interdependent, and for most of us, largely hidden behind an invisible matrix of consensus reality. But the truth of the matter is that without subsidies, limited liability, and an inordinate influence over social and political agendas and information, corporations would soon become in reality what their apologists claim they are: merely groups of people. The sooner the better.

2. CULTURAL POWER: THE COLONIZATION OF OUR MINDS

Economic and political power will not last long if is it is not rooted in the surrounding culture. Culture includes a society's usual ways of thinking, working, and living, as well as the largely unconscious beliefs and world views that make that way of life seem inevitable. Every society's beliefs, views, and customs become so embedded that its members come to believe that their own ways are not particular ways of acting, but simply follow natural and immutable laws.

The mass media, think tanks, public relations firms, and the education system deliver the corporate message into mainstream thinking. Lobbyists influence politicians. Think tanks and foundations influence teachers and students. Advertising influences consumers. The corporate construction of reality ridicules economic and political alternatives (public ownership, proportional representation) while promoting other views and choices (corporate financing of political campaigns, dependency on international trade) which come to seem inevitable.[5] As people cease to notice that some issues aren't discussed, their desires and beliefs are manipulated in an "engineering of consent," and eventually the entire society (including the powerless who would gain from political change) internalizes a truncated agenda which favors existing power relations.[6]

MASS MEDIA, MEDIA MONOPOLY

Journalists routinely expose corporate crime and corporate politics, but most people are simultaneously cynical and naive about corruption so widespread it has become the norm. Even experienced activists often assume that the media serves a public interest function that other industries cannot be expected to serve. But the profits of the mass media depend on corporate advertising. The mass media's main product is no longer news, much less critical discourse. The purpose of the media is to deliver advertisements to target audiences.

As media ownership has become concentrated in fewer and fewer corporations, its own vested role in corporate power has increased. Through mergers, the media oligopoly is down to a handful of mega-corporations, including News Corporation, Viacom, Time Warner, Newhouse, General Electric, Westinghouse, Disney, Gannett, Knight-Ridder, Bertelsmann, and Elsevier. Media giant AOL Time Warner owns America Online, the biggest provider of e-mail and Internet service in the U.S. It also owns cable TV franchises with millions of viewers, the motion pictures which are broadcast on those cable stations, and book publishers and magazines. General Electric has long been known for electric power plants, nuclear energy, and weapons contracts. General Electric also owns NEC—as well as television and radio stations in New York, Los Angeles, Chicago, and many other cities.

The media industry now ranks (along with the energy industries, military contractors, airlines, and investment firms) among the leading lobbyists of the U.S. Congress. Between 1996 and 1998, media corporations and associations spent $111 million lobbying Congress; the top spenders included the National Association of Broadcasters, Time Warner, the National Cable Television Association, Walt Disney, and Viacom.[7] In return, Congress passed legislation quite profitable to the industry, ranging from the deregulation of ownership in multiple markets and media, to an array of tax breaks, to the giveaway of public broadcast spectrums.

More and more of the population is inundated with corporate advertising from fewer and fewer media outlets. Although U.S. law forbids non-commercial broadcasters from airing any kind of advertisements, the Public Broadcasting System (PBS) is also increasingly reliant on corporate commercials, which it calls "enhanced underwriter acknowledgments." PBS programs such as Sesame Street are funded by corporations such as the drug company Pfizer, Looksmart.com (a "family-oriented" Internet portal), the shopping website Toysmart.com, McDonald's, and Kellogg.[8]

The average person in the United States watches 37 hours of television a week, including an average of 714 commercials — that's 1,856 hours and 37,000 commercials per year. It is not only U.S. residents that are inundated with U.S. media; two thirds of Latin American television programming actually originates in the United States.

Substantial news coverage has declined as advertising becomes the purpose of publishing and broadcasting. Media corporations want people to read newspapers and watch television programs in order to become consumers of the products being advertised. Advertising rates are based on the size of the audience. Sophisticated research allows ads to target specific populations ("narrowcasting") such as the elderly, or children under the age of five, or women, or college graduates. Get the consumer's attention, spark their interest by appealing to their subconscious self-images, create a desire, and lead them to the purchase— and collect personal information about them for more research and marketing. Nonconformists and dissidents are targeted with "liberation marketing" which portrays particular brands of computers, autos, soap, and soda pop as anti-establishment. Reluctant consumers are enticed with "green marketing" which implies that by buying certain products, they will liberate the earth.[9]

Two-thirds of the world's advertising takes place in the United States: in 1997, corporations spent $187 billion on television, radio, newspaper, magazine, billboard, telephone directory, direct mail, and Internet advertisements. Japan is the second-largest market, with twelve percent of the total advertising expense. The advertising industry, like others, has become concentrated in recent years, with the top firms, including WPP, Omnicom, Interpublic, Havas, Dentsu, and Saatchi 8c Saatchi, accounting for the lion's share of global ad revenues. As the lines between marketing, advertising, and public relations disappear, the top firms are gathering under the same corporate roofs.[10]

PUBLIC RELATIONS: SMOOTHING THE ROUGH EDGES

The public relations industry in the U.S. and worldwide has grown twenty to thirty percent annually in recent years.[11] Among the 500 largest U.S. corporations, the average budget for public relations and public affairs in 1998 was more than $4 million. If you count the money spent on department management, foundation support, social responsibility and corporate image advertising, the average budget for PR rose to about $2.5 million. Telecommunications, energy, and consumer products corporations were the highest spenders.[12]

Burson-Marsteller, one of the world's largest public relations firms, has 60 offices in *2.7* countries. Burson-Marsteller's clients have included A.H. Robbins (during the Dalkon shield IUD controversy), Tylenol (after its poison/tampering incidents), Union Carbide (after the toxic explosion in Bhopal India), Babcock & Wilcox (after the Three Mile Island nuclear accident), Exxon (after the Valdez Alaska oil spill), Hydro-Quebec (on its James Bay projects), Mexico (as it lobbied for U.S. approval of the NAFTA trade agreement), and various military juntas and dictatorships such as Nigeria (during the Biafran war) and Romania (during the reign of Nicolae Ceausescu). Until zooo, Burson-Marsteller was owned by the advertising-PR-marketing giant Young 8c Rubicam, when Y&R was acquired by its rival WPP.[13]

EDUCATING THE PUBIC, INCORPORATING PUBLIC EDUCATION

Academia is fertile ground for planting ideas and legitimizing corporate goals, and the academies can lend a facade of institutional legitimacy and intellectual objectivity to what is actually business propaganda.[14] Corporate foundations give billions of dollars to think tanks, research institutes, and universities. Corporate executives are the largest single group represented on governing boards of colleges and universities.[15] Corporation-influenced think tanks have been established on university campuses across the country. A prominent example is the ultraconservative Hoover Institution on War, Revolution and Peace, which is housed and funded by Stanford University *(see profile of Hoover Institution in Part 2).*[16]

Ultraconservative corporate foundations donate millions of dollars each year to influence political science, law, and economics departments at dozens of universities. The John M. Olin and Sarah Scaife Foundations give funding to Cornell, Harvard, Yale, Johns Hopkins, Loyola, Michigan State University, Princeton, Stanford, the U.S. Military and Naval Academies, the Universities of California, Illinois, Kansas, Maryland, and Virginia, Toronto, and Oxford. Professors who are willing to push the corporate agenda receive salaries and research contracts from corporations. Chairs and departments are often named after their benefactors.

- Bell South Professor of Education through Telecommunication at the University of South Carolina
- McLamore/Burger King Chair at the University of Miami
- John McCoy-BancOne Corp Professor of Creativity and Innovation at Stanford University
- John M. Olin Professor of Humanities at New York University
- Olin Professor of Law and Economics at Yale Law School
- Sears Roebuck Professor of Economics and Financial Services at the University of Chicago
- Ronald Reagan Professor of Public Policy at Pepperdine University
- James Baker III Institute for Public Policy at Rice University
- Center for the Study of American Business at Washington University
- Center for Corporate Community Relations at Boston College

Twelve thousand U.S. public schools (including forty percent of U.S. high schools) have contracts with Channel One, a corporate "news" and advertising network. Eight million students are required to watch Channel One at least one hour a week (or 31 hours a year—a full instruction week of school).[17] The Wall Street investment firm Kohlberg Kravis Roberts (which pioneered the leveraged corporate buyouts of the 1980s) owns 82 percent of PRIMEDIA, which owns Channel One. PRIMEDIA is a $1.7 billion publisher of consumer and trade magazines *(Seventeen, Modern Bride, American Baby),* and also distributes educational videos, provides satellite-delivered workplace training programs, produces trade shows, and owns and operates hundreds of Web sites and other Internet properties.[18]

Channel One is just one example of commercialism in public schools. Corporations fund sports events and other school activities; enjoy monopoly contracts to sell goods and services in exchange for sharing the profit with the schools; display their logos and advertisements on scoreboards, walls, and bulletin boards; write and distribute textbooks; and are buying schools and school programs which are then run for profit.[19]

FOUNDATIONS AND THINK TANKS:
EDUCATING THE PUBLIC, PERSUADING THE LAWMAKERS

Conservative, liberal, and libertarian philosophies can all serve the corporate agenda. For example, the conservative Heritage Foundation, the centrist Brookings Institution, and the libertarian Cato Institute are three of the major think tanks pushing corporate globalization. The top twenty conservative think tanks doubled their budgets between 1992 and 1997, and spent more than $1 billion in the 1990s. Five of the more influential organizations (Heritage, American Enterprise Institute, Brookings, Cato, and Institute for International Economics) had combined budgets of more than $77 million in 1995, compared to budgets totaling $19 million for eight liberal think tanks. Corporate think tanks are funded by ultra-conservative foundations such as John M. Olin, Scaife, Lilly, Carthage, and Coors. More socially-moderate but still pro-business foundations include Ford, Rockefeller, Pew, and Carnegie.[20] Other conservative foundations include:[21]

- Roe Foundation
- Charles G. Koch Foundation
- David H. Koch Foundation
- J. M. Foundation
- Castle Rock Foundation
- M. J. Murdock Charitable Trust
- Samuel Roberts Nobel Foundation
- John William Pope Foundation
- Earhart Foundation
- Richard and Helen DeVos Foundation
- Lynde and Harry Bradley Foundation
- Claude R. Lambe Charitable Foundation
- Lilly Endowment
- Gordon and Mary Cain Foundation
- Alec C. Walker Foundation
- Philip M. McKenna Foundation
- E.L. Wiegand Foundation
- Milliken Foundation

An article in the journal of the Council on Foreign Relations *(see profile of* CFR *in Part 2)* described the "new dynamics that are shaping public opinion in the United States. The new conservatism is dominating intellectual debate, because foundations committed to it understand that ideas and ideological commitment do count, and they are prepared to devote massive support to promote them." The article pointed out that "a tiny handful of think tanks and journals promoting the new conservatism received a major share" of the hundreds of millions spent by conservative think tanks, and that "it is this sort of concentration and coordination of financial efforts that makes the funding available to neoconservative thinkers so different from that awarded to scholars of alternative persuasions."[22]

Most think tanks are tax-exempt public education organizations forbidden by IRS regulations to spend a major portion of their resources on lobbying. But think tank "scholars" testify before Congressional committees, provide analyses and briefing papers to legislators, and periodically serve as government officials. As the CFR journal reported, "more and more think tanks hire public relations professionals, spend much of their time producing press releases rather than reports, and search for senior fellows who are media savvy or politically committed." The Heritage Foundation spends more on raising money and promoting its agenda than it does on funding research.[23]

3. LEGAL AND POLITICAL POWER: LEVERAGING AUTHORITY

Corporations dominate public policy making via lobbying, formal advisory committees, political campaign financing, and a constantly revolving door between business and government. Each of these mechanisms of influence is supposed to be regulated. U.S. laws require lobbying contracts and conflicts of interest to be disclosed. Other laws limit the amount of money individuals and corporations can donate to political campaigns. U.S. government officials are required to wait for a period of time before lobbying their former colleagues. But the laws that ostensibly limit political influence are ridden with loopholes, and are inadequate at best. Corporate power does more than influence the legal and political system—corporate power created the system we have today.

CORPORATE LAW

The monarchies of Europe gave corporate charters to multinational ventures. These chartered companies, in return for a percentage of the profit from their ventures, were given the authority to establish formal colonies, to write trade agreements and set up free trade zones, to seize competitors' ships, to maintain forts and armies, and to coin money. The companies levied taxes and ran the colonial courts, bribed local leaders with luxury goods and seats at the governors' table, and used slave labor to cut timber, dredge canals, and work the plantations. The colonial monopolies had enormous power, but legally their power was granted and withdrawn at the pleasure of the king.

Over the past zoo years, all over the world but especially in the United States, legal systems have been changed to accomplish two things: limit the legal liability of corporations, and give corporations the rights and protections of citizens. During the nineteenth century, U.S. state laws which required corporations to obtain a charter authorizing them to operate were replaced by general incorporation laws which simply require a form to be filled out and a registration fee to be paid. While this may seem more democratic (you no longer need to know the king to start a corporation), it also means that a legislature is not examining and defining each proposed incorporation.

By the end of the nineteenth century, the U.S. courts had declared that corporations were to be considered persons under the law—and then used this legal fiction of "personhood" to extend constitutional protections to corporations. The courts have ruled that corporate advertising and political campaign contributions are to be protected as free speech. Protection from unreasonable search and seizure has been used to thwart occupational health and safety inspections. The commerce clause of the constitution is interpreted by the courts to prohibit local and state governments from- having regulations which might affect interstate commerce. Anti-monopoly laws have been interpreted to prohibit labor unions from going on strike, because a work stoppage would be a restraint on trade.

The legal liability of corporate executives has been limited, even in cases of negligence and fraud, and corporations seek "tort reform" which would limit the amount of money a corporation could be charged for injuring someone. The money spent to defend a corporation and its directors is tax-deductible. As a result of these laws and court rulings, corporations have more privileges and less liability than individuals. Negligence and fraud that would land an individual in jail are excused if the individual acted as a corporate executive. If corporate executives do happen to be held liable for some act, it is likely that the fine will be paid from the corporate treasury.

Beginning with the Interstate Commerce Commission in 1887, a maze of regulatory agencies has been constructed to limit the agendas and outcomes of every political struggle to deal with the impacts of corporate power, from monopoly to pollution to unemployment and poverty. In the process, government has become a shield between corporations and the people, and direct challenges to corporate power are channeled into endless administrative "remedies" which have exhausted generations of activists.[24]

Another result of the transformation of corporate law has been the destruction of the "free market" which corporate propagandists are constantly defending. A market is a self-correcting system which requires that the costs and benefits of economic activities are disclosed, that all parties are informed, are able to make rational choices, and will be held liable for their actions. None of these are the case. For example, food products contain toxic chemicals which are not disclosed, so people cannot choose whether to expose themselves. If someone does sue the manufacturer, it is unlikely that the true cost of the injury will be established, or that the corporation will be held liable. The corporate-dominated economic and legal system cannot provide the feedback and self-correction that would characterize a true market system.

FORMAL AND INFORMAL ADVISORY GROUPS

The relationship most corporations and industry associations have with government is informal, in that their advice is unofficial, but governments also appoint formal advisory committees. Despite laws requiring them to represent a balance of society's views and interests, these committees are dominated by corporations and industry associations, and serve as a "major institutional method for linking private interests and private expertise to public authorities."[25]

Eighty percent of the U.S. Presidential advisory commissions appointed between World War II and the early 1970s to deal with some aspect of foreign or military policy were headed by members of the Council on Foreign Relations, and two of the other commissions were headed by trustees of the Committee for Economic Development (CED).[26] Of five commissions offering advice on government reorganization and salaries, four were headed by CED trustees.[27]

Industry Sector Advisory Committees, created by the Trade Act of 1974, formally advise the U.S. Trade Representative on matters relating to U.S. trade policy. Members of the ISACs are appointed by the U.S. Secretary of Commerce and the U.S. Trade Representative, and represent corporations and associations in aerospace, chemicals, electronics, lumber, construction, and other industries.

Similar bodies advise European policymakers in national governments, the European Union, and the European Parliament *(see the profiles of the European Roundtable of Industrialists and the Union of Industrial and Employers' Confederations of Europe in Part 2).*

REVOLVING DOORS AND INTERLOCKS: THE KEYS TO THE CLUB

Members of advisory commissions are often former (or future) government officials. Former corporate executives commonly head regulatory agencies. When bureaucrats quit government service they are often hired by corporations, so many retired members and staff of Congress and government agencies lobby their former colleagues on behalf of their new employers. Corporate executives are not just lobbyists and bureaucrats — they serve as the heads of cabinets and ministries.

U.S. President John F. Kennedy appointed Dean Rusk, the president of the Rockefeller Foundation, to be his Secretary of State. Ford Motor president Robert McNamara, who later served as the head of the World Bank, was Kennedy's Secretary of Defense. Investment banker C. Douglas Dillon was Kennedy's Secretary of the Treasury.

Ronald Reagan uniformly appointed "the consummate old boys of the country's political-corporate network."[28] Before becoming U.S. President, Reagan himself had promoted nuclear power as a paid spokesman for General Electric. Reagan's cabinet was dominated by officers and directors of multinational corporations such as Bechtel and Pepsico, as well as from pro-corporate policy groups such as the Trilateral Commission, the Business Roundtable, and the Council on Foreign Relations.[29]

At least 13 of President Bill Clinton's appointees were members of the Council on Foreign Relations, and nine of them, including his Secretaries of State, Defense, and Human and Health Services, were CFR directors. The revolving door has connected the Clinton Cabinet with major manufacturers (Lockheed Martin, Union Carbide, and Ford Motors), banks and investment firms (Goldman Sachs and Citigroup), corporate foundations and think tanks (Rockefeller, Carnegie, and Brookings Institution), and public relations firms (Hill & Knowlton and Timmons).[30]

The dominance of the U.S. government by men with elite backgrounds is not new. According to a detailed study of Cabinet officers, diplomats, and Supreme Court Justices during the two hundred years from 1780 to 1980, the overwhelming majority came from the highest ranks of personal wealth. More than three-fourths of the 205 Cabinet secretaries appointed between 1897 and 1972 were directors of corporations or came from corporate law firms—with no significant difference between Republican and Democratic appointees.[31]

LOBBYING AND POLITICAL INFLUENCE-BUYING

Still not content with being formal advisors and cabinet secretaries, corporations and their associations, lobbyists, and consultants have instituted political campaign finance arrangements — the current euphemism for buying politicians. In 1970, only 175 corporations in the U.S. had registered lobbyists, and only a handful of corporations had public affairs departments. Ten years later, 650 corporations had registered lobbyists, more than 80 percent of the Fortune 500 had formal public affairs offices, and corporate representatives in Washington outnumbered federal employees. By 1980:

- 12,000 lawyers represented corporations before federal regulatory agencies and federal courts
- 9,000 business lobbyists and 50,000 trade-association staff promoted favorable legislation
- 8,000 public relations and 1,300 public-affairs specialists promoted a favorable image for their corporate clients
- 12,000 specialized journalists reported on government actions affecting particular industries.[32]

The expansion in public relations has continued and has grown twenty to thirty percent annually in recent years.[33] There are now 14,000 registered lobbyists in Washington D.C., and 150,000 public relations professionals throughout the country. In 1997, corporations spent $1.26 billion on lobbying Congress — $2.4 million for each member of Congress.[34]

Financial services/insurance/real estate was the top industry for lobbying in 1998 (spending $2.03 million), followed by communications/electronics, health, energy/natural resources, agriculture, and transportation ($116 million). The military industry spent almost $48 million in 1998 *(see chart below)."* The top five U.S. lobbying firms in 1998 were Cassidy & Associates ($20 million receipts), Verner Liipfert, Patton Boggs, Akin Gump, and Preston Gates ($10 million receipts). Their clients that year ranged from Boeing to Boston University to Philip Morris to the Puerto Rico Economic Development Administration *(see Appendices 1 and 2 for lists of the top lobbyists and spenders).*[36]

Most of the money spent on election campaigns in the United States comes from corporations. Several organizations track the campaign contributions that are required to be disclosed to the public, but most of the money given to political candidates is not disclosed. As pointed out by William Greider in his book *Who Will Tell the People,* even if it were, there is a more fundamental disorder to the political system that goes well beyond simple bribery. The entire political system is based on money-based bargaining, in which politicians see corporations as constituents and industries as clients. Periodic scandals of illegal campaign contributions simply distract the public from the more fundamental reality of "hundreds of millions of dollars invested by powerful economic interests every year in the Washington decision-making process."[38] Sociologist G.

William Domhoff has written that "lobbyists from corporations, law firms, and trade associations play a key role in shaping government on key issues of concern to specific corporations or business sectors, but their importance should not be overestimated because a majority of those elected to Congress are predisposed to agree with them."[39]

Money has become so crucial to being elected to political office in the United States that one can without much hyperbole say that politicians are elected by dollars, not votes, and that their constituents are now corporations rather than people. Indeed, since 1976, the two U.S. Presidential candidates who raised the most money by the end of the year preceding the election have become the Democratic and Republican candidates. In effect, it is corporations and industry associations which determine the candidates who will run for office—and many corporations give to both parties, ensuring access no matter which candidate wins.

The money can be substantial. In the 1998 Senate elections, races in ten states spent more than $7 million; two races in California and Illinois spent more than $20 million, and the New York race between Alfonse D'Amato and Charles Schumer totaled almost $36 million. The 2000 Senate races in New York and New Jersey cost more than $48 million.[40]

Where does the money go? Much of it goes to the media corporations that own the television networks which run the advertisements to elect the candidates the corporations want. Media income from political campaign advertisement reached $600 million in 2000.

U.S. law prohibits corporations and labor unions from making contributions or expenditures to influence federal elections. The law also limits the amount an individual can give to a political candidate to $1,000 per election. So how can millions of dollars be given to political campaigns? Corporations, unions and other organizations, and individuals are allowed to give their money to Political Action Committees (PACs). PACs were first used by labor unions to pool the contributions of their members as a way to offset the monetary clout of big business. In 1974, during the Watergate "reforms," Congress eliminated a regulation which forbade companies and unions that got government contracts from forming PACs. Another floodgate was opened when the Federal Election Commission ruled that corporate PACs could pool contributions from both shareholders and employees.[41] The current rules allow each PAC to give up to $5,000 to a candidate per election, and donate up to $15,000 to a national party committee per year — *but a corporation may form any number of PACs.*

An even larger loophole in the limits on money in politics is "soft money." Soft money was invented by a 1979 Federal Election Commission ruling which allowed direct corporate contributions and unlimited individual contributions to political parties as long as the money is not used to support a particular candidate by name. Soft money is often spent on "issue ads" which praise or criticize candidates, but do not use the words "vote for" or "vote against." Soft money contributions, which were not required to be disclosed until 1991, totaled $89 million in the 1991 election cycle, $263 million in 1996, and stood at a record $256 million for the first 18 months of the 1999-2000 election cycle.[42] Many corporations (AT&T, Phillip Morris, Microsoft, and Citigroup among the largest) give hundreds of thousands of dollars to both parties, ensuring access no matter which party wins a given seat in the next elections *(see Appendix* 3 *for list of the top soft money contributors).*[43]

"Bundled money" is another innovation to get around the legal limits on how much an individual or corporation may donate to a political candidate, in which a lobbyist or PAC gathers separate donations from a number of individuals and then "bundles" them together before delivery to the candidate.[44]

Local governments have entered the lobbying contest, just to keep up with the corporations. A lobbyist for an association of counties in Wisconsin said he "used to focus on gathering information and persuading legislators with the facts. . . but that doesn't seem to be enough anymore, with so many groups spending so much money on campaigns. It puts individual legislators in an awfully tough spot to side with us against those who have spent a lot of money on their campaigns. ... My members are very frustrated by what appears to be the growing dominance of big money in the campaign process." The League of Wisconsin Municipalities is considering creating its own Political Action Committee, and in the meantime has urged city officials to make personal campaign contributions. (Cities are prohibited from making campaign contributions, but city officials are not). The counties also considered forming a PAC, but had decided that "it wasn't right for one level of government to have to pay to gain access to another level of government."[45]

4. ECONOMIC POWER: AVENUES OF WEALTH

What are generally called subsidies (and have now been dubbed "corporate welfare") are various forms of privatization or externalization — the fundamental processes by which corporations build and maintain power and wealth. There are dozens of methods by which corporations privatize the benefits and externalize the costs onto communities, workers, taxpayers, and nature. Limited liability, corporate personhood, political financing, and corporate tax breaks are the legal and economic mechanisms by which privatization and externalization are implemented.

- When governments impose wage controls, forbid union organizing, or end labor strikes, the resulting cheap labor is a subsidy to corporate employers.
- Public resources such as electricity, and natural resources such as water and timber, are sold to corporations below cost and at unsustainable rates.[46]
- Much of the U.S. federal budget is essentially welfare for a few corporate manufacturers of weapons, missiles, and airplanes *(see section on the military on page 42).*
- Government agencies regularly bail out corporations which are threatened with bankruptcy, and subsidize entire industries when economic conditions threaten profits.
- National and local governments offer tax breaks and grants to corporations to provide jobs, attract investment, and benefit political allies.
- Publicly-funded export credit agencies provide loans, insurance, and marketing services to corporations which operate overseas *(see discussion on export credit on page 32).*
- Commercial bank loans to Southern nations were unloaded onto the World Bank and IMF in the 1980s — in effect, externalized onto the public *(see section on banks on page 29).*
- The World Bank and International Monetary Fund are forcing the sale of public property and public resources around the world to corporations *(profile of the World Bank in Part 2).*

Recent studies estimate that direct tax breaks and grants to corporations in the U.S. are worth more than $100 billion every year *(see Appendix 5 for list of studies).* Such studies are helpful in revealing some of the worst abuses of corporate subsidies — but they reveal only the tip of the iceberg, because they measure only direct subsidies. A more meaningful measure of the costs of doing business is externalities, that is, any transfer of the costs of doing business from the corporation to some other sector of society or to the environment. Externalities range from the health care costs of automobile pollution and dangerous consumer products, to the cost of cleaning up toxic waste abandoned by manufacturers, to fraudulent cost overruns by doctors, health insurance companies, and weapons manufacturers.

Measuring externalities provides a more complete measure of the subsidies provided to corporations. Externalities are more difficult to calculate than direct tax breaks and payments, but they are not impossible to estimate. Corporate accountant Ralph Estes has credibly documented externalities of $2.5 trillion per year —15 times greater than most estimates of direct budget subsidies.[47] As David Korten pointed out in *The Post-Corporate World,* since total U.S. corporate profits are about $500 billion per year, the externalized costs outweigh profits by five to one[48]—not a very efficient system, even from the narrowest consideration of providing goods and services efficiently.

The modern corporation is a legal structure that limits liability and privatizes profit. Privatization and externalization are the foundation, and the Achilles heel, of the industrial system and of the corporate form of doing business. Proposals to trim a few tax breaks may actually serve to perpetuate a system that is dependent on the misallocation of benefits and costs.

MERGERS, OLIGOPOLIES, AND CARTELS: THE REAL GAME OF MONOPOLY

We are in the midst of the greatest wave of corporate mergers in history. The first wave of mega-mergers occurred at the turn of the twentieth century, when industries such as steel, petroleum, and rubber were consolidated under a few giant corporations. These mergers may actually have been promoted by the Sherman Act of 1890, which forbade collusion in the form of price-fixing and market division, but did not outlaw mergers themselves. The consolidation of industry was continued in a second wave in the 1910s and 1920s. During a third wave of mergers in the 1950s and 1960s, many small and medium-sized corporations in different industries were gathered up by conglomerates such as Textron and ITT. In the 1980s, corporate mergers and acquisitions were characterized by hostile takeovers and leveraged buyouts. Since the 1980s, deregulation of one industry after another (airlines in 1978, trucking and railroads in 1980, natural gas in 1981 and 1985, banking in 1980 and 1981 and 1999, telecommunications in 1977 and 1984 and 1996) has promoted another wave of mega-mergers. The overwhelming majority of the largest corporate mergers in history have occurred in the last few years.[49]

When an industry is controlled by a handful of corporations, it is called an oligopoly—"a few sellers." When ostensible competitors conspire to fix prices, to allocate customers by dividing markets, or to pool their receipts in a way that reduces competition, it is called collusion. If a number of those restraints on free trade are agreed to by an oligopoly, the result is a cartel. Classic cartels have been built in electrical manufacturing, oil and gas, petrochemicals, steel, and other industries.

At the turn of the twentieth century, John D. Rockefeller gained control of the emerging U.S. oil industry through secret deals with the railroads that hauled his oil, through buying up refineries, oil fields, and pipelines, by controlling prices and dividing markets, and by forcing his rivals out of business.

The various Rockefeller corporations were controlled by a holding company called Standard Oil of New Jersey. In 1911, the U.S. courts declared Standard Oil to be an illegal monopoly, and ordered that it should be broken up into separate corporations — but this did not last. The mid-century petroleum oligopoly, dubbed the Seven Sisters, consisted of the "separate" Standard Oil corporations from New Jersey, New York, and California, plus Texaco, Gulf, Shell, and British Petroleum. But by the end of the century, Standard Oil of California (aka Socal and Chevron) had acquired Gulf. Standard Oil of Indiana merged with Amoco. Standard Oil of Ohio (and Amoco) have merged with British Petroleum. Standard Oil of New York (aka Socony or Mobil) has now merged with Standard Oil of New Jersey (aka Exxon). These corporations are further combined into joint ventures around the world.[50]

Periodic anti-monopoly action by government sheds light on the continuing concentration of industry, but does little else, and there has been a steady demise in enforcement over the twentieth century. Most industries are now controlled by a few major corporations *(see Appendix* 4 *for list of the* 500 *largest corporations).*[51]

As the U.S. Congress was writing laws to regulate the monopolies, the courts were interpreting the Constitution's commerce clause to strike down hundreds of local and state government laws that had been passed to regulate corporations. This turned the infant anti-trust law on its head, and allowed *corporations* to sue *local governments* for restraining their economic activities. Recent trade treaties have extended such rulings to the international level, and corporations now sue *national* governments for restraining *international* trade. Any "barrier" to trade is liable to be attacked, whether it is designed to protect a local industry, the public's health, or the environment.[52] From the corporate point of view, this is just the logical extension of U.S. court rulings striking down local and state regulation — always tending toward centralized power.

Entire national economies can be affected by the actions and fortune of a single corporation. Even as it laid off 99,000 U.S. workers between I992 and 1996, General Motors became the largest private employer in Mexico by moving its operations south of the border. Union workers are being replaced by lower-paid contract and temporary workers, and Manpower, a temporary employment agency, is now the largest employer in the United States.[53]

Corporations squeeze higher profits from fewer and lower-paid workers, many of whom no longer receive pensions, health insurance, or other benefits. Corporate executives are taking fatter salaries and stock options, and reinvesting less in corporate operations. The fastest way to boost corporate stock prices is to announce a merger between two corporations, followed by the layoff of thousands of workers to "streamline operations."[54]

POLITICAL RISK INSURANCE

Globalization takes corporations into dangerous territory. Indigenous peoples and traditional farmers may resent the industrial development of their traditional lands. Foreign countries may revise their tax structures in ways that reduce a corporation's profit margin. Revolutions may threaten the nationalization of mining and manufacturing operations dating back to colonial times. When private insurers and investors are unwilling to accept the risks, corporations turn to national and multilateral government agencies which offer investment guarantees and political risk insurance backed by taxpayers.

National agencies which sell risk insurance include the U.S. Overseas Private Investment Corporation, Japan's Overseas Economic Cooperation Fund, and Canada's Export Development Corporation. Multilateral agencies include World Bank affiliates such as the Multilateral Investment Guarantee Agency (MIGA) and International Finance Corporation (IFC), and regional banks such as the Inter-American Development Bank (IADB).

These public agencies provide billions of dollars worth of insurance to thousands of corporations in order to guarantee their profits. There are various types of insurance.[55]

• *Inconvertibility of currency,* which protects investors from increased restrictions on the investor's ability to "convert local currency into U.S. dollars" (in other words, remove their profits from the host country).

• *Expropriation insurance* provides compensation for losses due to host government actions which "deprive the investor of its fundamental rights in the investment." This includes confiscation, expropriation, nationalization, "creeping nationalization" by government participation in corporate enterprises, or through restricting the transfer of shares or profits. Even balance of payment problems, national planning priorities, protection of local industry, restrictions on currency conversion, or unattractive exchange rates or tax laws can be considered "expropriation."

• *Political risk insurance* covers investors against losses caused not only by "politically motivated acts of violence" such as war, coup d'etat, revolution, insurrection or civil strife, terrorism, sabotage, strikes, distribution problems, or "bureaucratic delays."

The U.S. government's investment guarantee program began in 1948, and corporate executives in other countries soon felt that the subsidized insurance put them at a disadvantage, and urged their governments to institute low-cost insurance as well. Japan began offering risk insurance in the 1950s, and West Germany in the 1960s, and by the early 1980s, sixteen of the industrialized countries had investment guarantee programs.[56]

Government insurance programs support their countries' economic and political policies. For example, Japan's Overseas Economic Cooperation Fund, which has made acquisition of raw materials a major objective, provides loans and political risk insurance for natural resource exploration in underdeveloped countries—and bases the cost of loan repayments and insurance premiums upon the cash flow of the project.[57]

In the early 1970s, the main political risk insurance agency in the United States, the Overseas Private Insurance Corporation (actually a subsidiary of the U.S. State Department), managed to get private insurance companies to reinsure its investment guarantee program, but private insurers refused to reinsure OPIC's war and insurrection liabilities. It took many years for private insurers to begin offering any form of political risk insurance, and they still offer less coverage at a higher price.[58] Attempts to privatize government insurance agencies have been unsuccessful for obvious reasons—government agencies are backed financially and politically by the endless resources of the public *(see profile of the U.S. Overseas Private Investment Corporation in Part 2).*

BANKS AND DEVELOPMENT AGENCIES: THE ENGINES OF GLOBALIZATION

Commercial banks and investment firms make money by buying shares of the stocks and bonds sold by corporations and governments. They also make money by selling and underwriting the sale of those stocks and bonds, and by arranging corporate mergers and acquisitions.

Most stocks and bonds are now owned by other corporations, not by people. These "institutional shareholders" may be corporations like Ford or Chase Manhattan Bank, or they may be pension funds such as the California Public Employees Retirement System.[59] Insurance companies, with billions in assets from the premiums paid by customers, are also major shareholders of corporate stock. Investment firms may also serve as "beneficial shareholders" by holding stocks and bonds for some other private or corporate entity. (Beneficial shareholding is done as a service to manage the portfolios of wealthy investors, but it also serves to shield the identity of the true shareholder).

Corporate and governmental financial institutions are intertwined in numerous ways. There are commercial banks and central banks. Central banks accept deposits from and make loans to commercial banks; they also set interest rates and exchange currencies with the central banks of other nations. While they are ostensibly an instrument of government control over national financial systems, central banks are typically private entities whose members are corporate banks. There are investment firms, which gamble billions of public and private dollars in complex financial instruments like commodities, futures, and hedge funds. There are national and multilateral agencies, which finance corporate investment with tax monies, provide export credit and insurance, and bail out some of the speculators when they fail. Free trade agreements between national governments have codified investment and trade rules, which further concentrate power and wealth.

Commercial and investment banks exercise power by deciding which corporations and which projects will be financed, and lending money often leads to direct ownership and control. In the early 1900s, the various partners of J.P. Morgan held 72 directorships in 47 corporations. By the late 1960s, Morgan Guaranty had interlocking directorships with 233 corporations, and held five percent or more of the shares of 170 corporations. Two firms, Morgan Guaranty and Chase Manhattan Bank, held five percent or more of the total stock of seven leading airlines. The directors of 49 U.S. banks also sat on the boards of 300 of the 500 largest U.S. corporations, and controlled 5 percent or more of the stock in 5,270 corporations — and acted as sole trustee for three-fourths of other people's money that they managed.[60]

In the past twenty years, the banking industry has been freed of regulations put in place during economic crises such as the Depression of the 1930s. For example, the savings and loan (S&L) banks in the United States were largely restricted to loaning money to homeowners, and the U.S. government insured the money that people deposited in S&L accounts. In the early 1980s, the S&Ls were deregulated, and they began to take in billions of dollars from investors who wanted higher rates of profit. The S&Ls began to invest their new "hot money" in speculative ventures such as office buildings and the corporate mergers of the 1980s. S&L executives also siphoned off much of the money and squandered it. By the end of the decade, half of the S&L banks were insolvent. Since the S&L deposits were insured by the U.S. government, they had to be paid back with tax money. Despite (or perhaps because of) evidence that executives at three-quarters of the insolvent S&Ls had engaged in fraud, the U.S. government delayed dealing with the problem for several years, and then chose to pay for the bailout with interest-bearing bonds over forty years. The wealthy who can afford to buy those bonds will make another round of profit, but it will triple the cost to U.S. taxpayers to $300 to $500 billion.

In 1999, U.S. commercial banking was also deregulated. Banks, stockbrokers, and insurance companies are now allowed to merge, and the Community Reinvestment Act, which required banks to loan a small percentage of bank deposits to low-income neighborhoods, was weakened.

Central banks have been defined as "the bankers' bank," as "the lender of last resort," and as "the instrument of government control of money and credit." Central banks accept deposits from commercial banks, they lend money back to those banks as well as to governments, they print money, they set interest rates, and they transfer money and gold to and from other countries. The policies set by the central banks have a huge impact on economic growth, employment, wages, and income distribution. While they are often portrayed as official government agencies, the central banks are usually private corporations made up of and controlled by corporate banks. Most industrialized countries have central banks. In the U.S., the central bank is the Federal Reserve System *(see the profile of the U.S. Federal Reserve Bank in Part 2).*

The Bretton Woods agreements of 1944 included a fixed rate of exchange for the world's currencies, which were tied to the value of the U.S. dollar, which was backed by the U.S. government's promise to convert it to gold upon demand. In 1971, the U.S. abolished the gold standard, and since then the world's currencies have been allowed to "float" at whatever rates the "market" (dominated by financial speculators) determines. As Chalmers Johnson has written, the end of the Bretton Woods system "returned [the West] to the monetary barbarism and instability of the nineteenth century. Floating exchange rates introduced a major element of instability into the international trading system. They stimulated the growth of so-called finance capitalism—which refers to making money from trading stocks, bonds, currencies, and other forms of securities as well as lending money to companies, governments, and consumers rather than manufacturing products and selling them at prices determined by unfettered markets. Finance capitalism, as its name implies, means making money by manipulating money.[61]

Financial speculation has overtaken manufacturing and labor as the primary engine of the globalized economy. Unlike manufacturers, banks and investors prefer high interest rates and low inflation, and don't mind unemployment. In the past generation, the gap between rich and poor has increased, wages have fallen, unemployment and poverty have increased, and governments have lost the political will and the ability to direct development policy through social spending.[62] Public spending for development has decreased, while corporate investment in developing countries has soared. The Bank for International Settlements (BIS) in Basel, Switzerland was set up in the 1930s to be the central bank of the central banks; some of its functions have been taken over by the IMF *(see profile in Part 2),* but the Basel Committee on Banking Supervision, which consists of senior representatives of the world's leading central banks, is currently trying to deal with the impacts and dangers of a global economy where productive investment is overwhelmed by financial speculation. This "casino economy" has exacerbated economic crises around the world and resulted in bail-cuts of investment funds so large that their failure could set off regional and even global financial panics.

Export credit agencies (ECAs) are public agencies providing taxpayer-backed loans, loan guarantees,[63] and political risk insurance to corporations doing business overseas. Most industrialized countries now have at least one ECA, and together the world's ECAs now provide more financial backing than the World Bank.[64]

Much of the recent ECA loans and guarantees, at least $50 billion annually (more than all multilateral and bilateral aid agencies combined), has gone for large infrastructure projects such as dams, power plants, mining projects, oil pipelines, chemical and industrial facilities, and forestry plantations. "There is a stark contrast between the policies of the ECAs—which are oriented almost exclusively towards export promotion — and those of development assistance agencies (aid agencies) and multilateral development banks (like the World Bank Group).... The same [Organization for Economic Cooperation and Development] countries that have approved environmental and social policies for their aid agencies and the World Bank Group subvert them through their ECAs, which increasingly are financing projects and investments that bilateral and multilateral agencies reject on environmental, social, and economic grounds."[65]

Export credit agencies are the largest official creditors of developing countries. When debtor nations can no longer keep up the payments on these export credit loans, the World Bank and International Monetary Fund step in to restructure the debtor country's economy, which imposes corporate control and further exacerbates debt *(see section on page 33 on structural adjustment).*[66]

Multilateral and bilateral development banks were created for a number of ostensible reasons. The World Bank and International Monetary Fund were created to help countries recover from World War II and to stabilize the world's finances *(see profile of the World Bank and International Monetary Fund in Part 2).* Regional institutions like the Asian, African, and Latin American Development Banks were created to foster economic growth and cooperation. The national governments of the richer nations provide "bilateral development assistance" to developing countries through their own agencies.

The impact of "development financing" is often to increase debt rather than to facilitate development and to enrich multinational corporations rather than to build domestic industries. Since the mid-1980s, the net flow of money has been from the South to the North, even though Southern debt has increased thirty-fold since 1970. Development bank approval of specific projects (such as hydroelectric dams, transportation infrastructure, and industrial facilities) jump-starts projects that encourage (and subsidize) commercial banks to go where they might not otherwise go. The development banks are so interlocked with agencies providing export credit and political risk insurance, and to the corporate financial system, that it is impossible to tell them apart. Governments providing "foreign aid" often require that the money be spent buying goods and services from corporations headquartered in the donor's country. Nearly half of all World Bank financing goes directly to the multinational corporations that are the real beneficiaries of "foreign aid" and "development assistance." The most destructive and notorious aspect of these programs has been the imposition of structural adjustment upon the debtor countries.

TRADE TREATIES AND STRUCTURAL ADJUSTMENT: FORCED PARTICIPATION IN THE CORPORATE ECONOMY

In 1970, the poorest nations owed about $21 billion to Northern banks and investors. Ten years later, their debt was $110 billion, and by the early 1980s, with defaults looming on some loans, commercial banks and investors were transferring the debt to national governments and public agencies such as the World Bank. The World Bank and the International Monetary Fund began to tie loans to "structural adjustment" programs, which channeled more of the debtor country's financial and productive resources toward debt repayment.

Structural adjustment involves "economic stabilization" and "structural reforms." These typically involve some form of the following:[67]

• The debtor nation is required to "liberalize" (increase) prices on basic goods such as food, consumer durables, tools and equipment, and energy. Overnight price increases of several hundred percent mean local businesses can no longer afford to ship their goods to market, and they are undercut by imported goods from subsidized agribusiness and other corporations from the North.

• Public employees are laid off, and government services are reduced. The most profitable state enterprises are "privatized" (sold to foreign corporations or investors). If public services are enshrined in the constitution (Brazil, Mexico), then the constitution is amended accordingly. Schools and health clinics are closed in order to redirect public monies toward "debt repayment" (Northern banks). Public works such as roads, hospitals, and water projects are redirected to international construction and engineering firms. Almost half of all World Bank financing goes directly to corporations, and some countries (including the UK) receive more funds from the Bank than they contribute.

• The "labor market is liberalized" to reduce public spending and to attract foreign corporations. Wages are "indexed" (cut), cost of living adjustments are eliminated, and minimum wage legislation is phased out.

• The IMF ensures the country's central bank is made "independent from political power" by taking it over. Officials of the central bank are replaced, often with former staff members of the multinational development banks. The government is prohibited from creating money or providing credit, which makes the country increasingly dependent on "outside sources" (Northern banks and investors) for funding, which further increases debt. During the 1980s, eighty percent of the commercial bank loans to the South never left the Northern banks.

• The country's banking system is "deregulated." Low-interest loans to farmers and local businesses are phased out. Interest rates are raised, attracting "hot money" from foreign investors looking for quick profits. State banks are privatized, with the proceeds directed towards external debt service. Under a 1994 GATT agreement, foreign banks are allowed free entry into domestic banking.

• Capital movement is "liberated," allowing foreign investors to move "hot" money in and out of the country with no regard for long-term productive investment. Foreign exchange (the ability to turn the domestic currency into dollars or other foreign currencies) is also "freed," allowing foreign corporations to repatriate (remove) profits. Southern elites who have stolen public funds, "dirty money" profits from illegal activities, and "black money" which has escaped taxation is also removed from the country—and usually deposited in Northern banks or offshore banking havens.

• Trade is "liberalized." Tariffs are eliminated, which reduces customs revenues (money from taxes on imported goods). Import quotas which protected local industries are eliminated, which opens the domestic economy to cheap imports from multinational corporations.

• "Tax reform" such as sales taxes are instituted, which disproportionately impact the poor. Taxes are instituted on small agricultural producers and informal urban industries, while foreign investments and joint ventures receive "tax holidays" in order to attract "foreign direct investment" (Northern corporations).

• Customary land rights are abolished. Land is parceled and sold (with the proceeds going to external debt payments). Land is soon concentrated into private hands, and farmers who formerly used the commons become landless seasonal workers for agribusinesses which grow food for export.

Structural adjustments were originally imposed on an ad hoc basis upon individual nations when it appeared that they could not keep up with existing debt payments. By 1985, fifteen debtor nations had been subjected to SAPs, and by 1991, a quarter of the World Bank's total lending was tied to structural adjustment in 54 nations. As more of the "debtor" nations' dwindling resources went to debt service, new loans were simply used to repay previous loans, and the total debt of the low income nations more than quadrupled from $100 to $473 billion between 1980 and 1991.

World Bank and IMF "reforms" continued, and by the mid-1990s, more than a hundred countries and 80 percent of the world's population had been "structurally adjusted." The average developing nation's debt payments were a third of its gross national product; Peru's payments totaled half of its GNP; and the average in Subsaharan Africa was 82 percent of GNP. The impacts are devastating. Unemployment has skyrocketed as farmers are forced off public lands and domestic economies are dismantled. Per capita income in the South has dropped to the pre-independence levels of the 1960s. Bread and gasoline riots are becoming commonplace in many Southern cities. Communicable diseases such is cholera, yellow fever, malaria, bubonic plague and pneumonia have increased as urban sanitation and infrastructure have deteriorated as public spending collapsed.[68]

When no more money or exports can be squeezed from the poor, selling state-owned companies to Northern corporations becomes an option. Privatization of public agencies totaled $30 billion in 1990, $88 billion in 1996, and $100 billion in 1997. The dollar estimates are almost meaningless, since the companies are often sold at bargain prices under duress. Once again, a handful of multinational corporations are the beneficiaries.[69]

Structural adjustment proved to be such a useful tool for leveraging corporate power that it was time to make it a permanent part of the global economy, and that is just what the international trade treaties of the 1990s have done—codified the elements of structural adjustment into international law.

"Free trade agreements" are not free, and are not primarily about trade. The major impact of the North American Free Trade Agreement (NAFTA) in 1994, the GATT Uruguay Round in 1995, and agreements under the World Trade Organization since 1995 is to force every country into full dependence on an unstable global economy dominated by Northern corporations and manipulated by "international" financial institutions interlocked with those corporations. Trade agreements have "liberalized markets" and "opened economies" by abolishing tariffs that protected domestic industries, removing financial controls that protected the public, and nullifying national and local environmental, health, and safety laws that protected people.[70]

• The treaty negotiations are dominated and manipulated by the richest nations, and the trade bodies are dominated by corporate lobbyists and lawyers.

• Agreements have been negotiated through secret and "fast-track" processes in which national legislatures must accept the entire agreement without amendment—often without even knowing what the agreements contain.[71]

• Entry into the World Trade Organization and other trade treaties is often conditioned upon additional structural "reforms" that destroy whatever independence might be left.

• Recent trade treaties enforce their provisions and control the policies of signatory nations by imposing trade sanctions, fines, and other penalties for violations. The richest nations can afford to chose which provisions they will observe.

• Unelected panels of trade officials adjudicate trade disputes, with the authority to have local and national laws protecting human rights, labor, consumers, and the environment struck down as "non-tariff barriers to trade" *(see profile on World Trade Organization in Part 2).*

International trade also encourages the "dumping" of goods overseas at less than cost. In order to eliminate competition, or to get rid of surplus production without destroying prices in the home country, multinational corporations (aided by their governments' agricultural and "foreign aid" policies) regularly dump grain, minerals, and other commodities at a fraction of their real cost. The purpose may be to eliminate competition or surplus products, but the effect is often to destroy local economies, ecological diversity, and social and economic diversity and self-sufficiency. NAFTA's opening of Mexico to cheap U.S. corn will force a million Mexican farmers off their land. The Mexican paper industry has been gutted by the enforced import of U.S. paper. "Capital" (corporations) and "financial markets" (investors) are freed to roam the earth unhindered while labor, consumers, and local businesses have to compete with subsidized multinational corporations.

5. POLICE AND MILITARY POWER: THE ULTIMATE WEAPON

As journalist John MacArthur pointed out in his book *The Selling of Free Trade,* "even in the degraded political culture of late twentieth century America, money still can't buy everything."[72] When advertising and propaganda, buying politicians, writing laws, controlling regional economies, and negotiating international trade treaties are not enough, corporate power uses its ultimate weapon: the police power of the state.

In the United States, the National Guard was established as a tool to control civil unrest and labor strikes,[73] but police and military actions against workers and citizens are a worldwide phenomena. Every year, hundreds of trade unionists are killed for organizing unions. Tens of thousands are fired, harassed, arrested, and tortured. It is estimated that ten percent of the U.S. workers campaigning for unions are illegally fired. Millions of men, women, children, and prisoners are forced to work against their will.[74]

Police are used to protect corporate facilities and the property and profits accumulated by the wealthy. Police are often hired in their off-duty hours to protect corporate property, making it difficult to tell the difference between public and private police. The unemployed are controlled by routine police harassment and brutality in the ghettos. During the 1990s, the U.S. prison population increased by 75 percent to two million inmates, two-thirds of which are black or Hispanic. Prisons are being privatized like many other public functions, and multibillion-dollar corporations are being subsidized with contracts for cheap prison labor.[75]

FROM COLONIES TO THE GLOBAL ECONOMY: PROTECTING CORPORATE PROFITS

On an international level, governments have long engaged in diplomatic, police, and military action to protect the overseas investments of corporations. Restructuring local economies has been one of the primary prerequisites since colonial times.[76]

For example, British consular arrangements in Africa in the mid-1800s changed local property rules to benefit the colonial trade. In 1838, the Ottoman Empire, already weakened by capitulation treaties going back to the 1500s, was opened to European goods and investment by the lowering of tariff and non-tariff barriers to trade and by railroad, port, mining, and banking concessions to European corporations. Disputes were to be resolved according to the dominant government's rules.[77] These are the same methods now imposed in the Structural Adjustment Programs of the International Monetary Fund.

If treaties and trade agreements undermine local law altogether, social unrest follows, and may lead to direct intervention by the foreign power; some European colonies in Asia and Africa were created this way. The British "opium wars" in the late 1830s and early 1940s forced China to open its markets to foreign goods by accepting the establishment of free trade "treaty ports" in Hong Kong, Canton, Shanghai, and other cities.[78] British and American gunboat diplomacy in the nineteenth century resulted in control of various parts of Latin America, and treaties between Britain and the U.S. divided up the resulting resources and markets. Treaties between Britain and the U.S. in 1846 and 1850 led to the construction of the Panamanian Railway and U.S. military intervention to protect it, and provided for joint Anglo-American access and control of routes across Panama.

When gunboat diplomacy did not work, the colonial powers simply annexed territories as formal colonies or as "protectorates." In 1911, American military forces occupied Cuba and the U.S. Congress made Cuba a U.S. "protectorate" under the Platt Amendment. The (unratified) Knox-Castrillo Treaty of 1911 provided for U.S. loans to Nicaragua—and for the right of the U.S. to protect its "interests" in Nicaragua. U.S. Marines soon seized railroads and cities, and U.S. financial agents took over collection of trade revenues and the national bank and railways.

In the 1950s, the U.S. Central Intelligence Agency was involved in the military overthrow of the elected government of Guatemala on behalf of the United Fruit Company (now Chiquita). The CIA supplied helicopters, fighter planes, Soviet-marked guns, and mercenaries, hid its weapons deliveries and spying under cover of front corporations, and fed the *New York Times* and other news media false information.[79]

PROTECTING CAPITAL AND FIGHTING FOR RESOURCES

The ethnic and religious elements of war are often the most highly publicized, but wars are fought to control strategic routes, to open markets, and to gain access to natural resources.[80] Religious and racial animosities were inflamed and promoted by the colonial powers for their own economic purposes, and today's corporations and their governmental allies are doing the same. For example, the African civil wars funded with profits from diamonds are also fueled by the super-powers, and the recent ban on "illicit" diamonds conveniently prolongs the global diamond cartel of DeBeers.[81] Since the late nineteenth century, the most valuable natural resource is oil.[82] Oil wars have been and are being fought in the Middle East, in Central Asia, in Latin America, and elsewhere.

Multinational oil corporations including British Petroleum, Occidental, Shell, Total, and Triton have signed contracts with the Colombian military and national police to fund the protection of their oil pipelines. Under the 1991 Special Contribution for the Reestablishment of Public Order, oil industry contributions to the war tax were scheduled to reach $250 million in 1996, and that year the Colombian government imposed a one-time surtax to raise $400 million to pay for additional security for oil installations. The oil corporations also provide "in-kind assistance [which] includes vehicles, health services and instruments, installations, troop transport, and helicopter flights. Cash payments are earmarked for security equipment, administration, communication, personal services, welfare upkeep, and a network of informants."[83] Occidental and the major U.S. weapons manufacturers lobbied for $1.3 billion in U.S. taxpayer monies, which was approved for military aid to Colombia in the summer of 2000 *(see also the profile of the U.S. Export-Import Bank in Part 2).*[84]

The Balkans are known for long-standing animosities and periodic ethnic wars — some of which have been fueled for more than a century by the region's strategic location vis a vis the oil reserves of Central Asia and the Middle East. For the multinational corporations working alongside the North Atlantic Treaty Organization (NATO), one of the most important rewards for the recent "pacification" of Bosnia-Herzegovina will be the construction of a trans-Balkan pipeline to bring oil from the Caspian Sea region to Europe. William Ramsay, U.S. Deputy Assistant Secretary of State for Energy, Sanctions and Commodities, claiming that that Caspian oil is "crucial to the world energy balance over the next 25 years," has revealed that "there already exists a kind of outline of a new Silk Road running through the Caucasus and beyond the Caspian. We think oil and gas pipelines, roads, railways and fiber optics can make this list century Silk Road a superhighway linking Europe and Central Asia."[85] The European Union, the U.S. government, and a gang of multinational corporations (including BP, Amoco, Exxon, Unocal, Caterpillar, Halliburton/Brown & Root, and Mitsubishi) are using all the military, political, and economic tools at their disposal to destroy and recreate the infrastructure and economy of southeastern Europe in their own image. The conflicts of interest between government officials and corporate executives are blatant and revealing *(see profile of NATO in Part 2).*

Public armies protect corporations, corporations fund armies, armies and multinational construction companies work together to destroy and then rebuild the latest political hot spots. War is waged by private armies as well. Journalist Ken Silverstein has found that "with little public knowledge or debate, the [U.S.] government has been dispatching private companies—most of them with tight links to the Pentagon and staffed by retired armed forces personnel — to provide military and police training to America's foreign allies. ... A State Department official told me he could provide very little information even on background because of the need to protect the 'proprietary information' of the companies involved."

• Washington D.C. consulting firm Booz-Allen & Hamilton, in conjunction with the U.S. Navy and Marine Corps, runs the Saudi Armed Forces Staff College, while O'Gara Protective Services (former U.S. CIA and Secret Service agents) protects the Saudi royal family and their property and provides Saudi forces with security training.

• Betac, a company under contract with the CIA, works closely with the Pentagon's Special Operations Command, which engages in covert activities in the Third World. Betac trains police in Latin America and provides U.S. corporate clients with "internal security."

• Military Professional Resources Inc. of Alexandria Virginia has been training Croation army troops since 1995, received $400 million from Saudi Arabia, Kuwait, Brunei, and Malaysia to train armies in Bosnia, and is expanding into Africa.

• The U.S. Defense Intelligence Agency sponsored a closed-door symposium in June 1997 entitled "The Privatization of National Security Functions in Sub-Saharan Africa."[86]

THE MILITARY AS INDUSTRY

While naked military force is (at least ostensibly) avoided whenever possible, the dominant nations are constantly engaged in military actions around the world.[87] The corporate economy and the military are codependent, and the military has become an integral and permanent part of the global (and especially the U.S.) economy.

In 1995, the U.S. spent $264 billion on the military, representing forty percent of the world's total military spending. The NATO allies of the U.S. spent another $148 billion that year, while the "rogue" nations (Iraq, Iran, North Korea, Libya, and Cuba), which are such a "threat" to U.S. (actually corporate) interests, spent a combined total of $9 billion.[88] This suggests that military spending is economic as much as military, and indeed, a quarter of the U.S. gross domestic product is military-related.[89]

The U.S. government subsidizes corporations that sell weapons to foreign governments. Between 1990 and 1996, foreign weapons sales negotiated by U.S. corporations and by the U.S. government itself totaled $98 billion.[90] In 1999, the federal government gave at least $7.6 billion in direct grants, subsidies, and tax breaks to corporations that exported weapons." The U.S. government has stockpiled over $1.5 billion in grants and subsidized loans that U.S. firms can use to finance arms sales to Poland, Hungary, and the Czech Republic (the three new members of NATO). Estimates of the eventual costs of NATO expansion to U.S. taxpayers range from $400 million to $2.50 billion.[92] The U.S. Export-Import Bank also provides subsidies for military sales *(see profile of the Export-Import Bank in Part 2).*

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