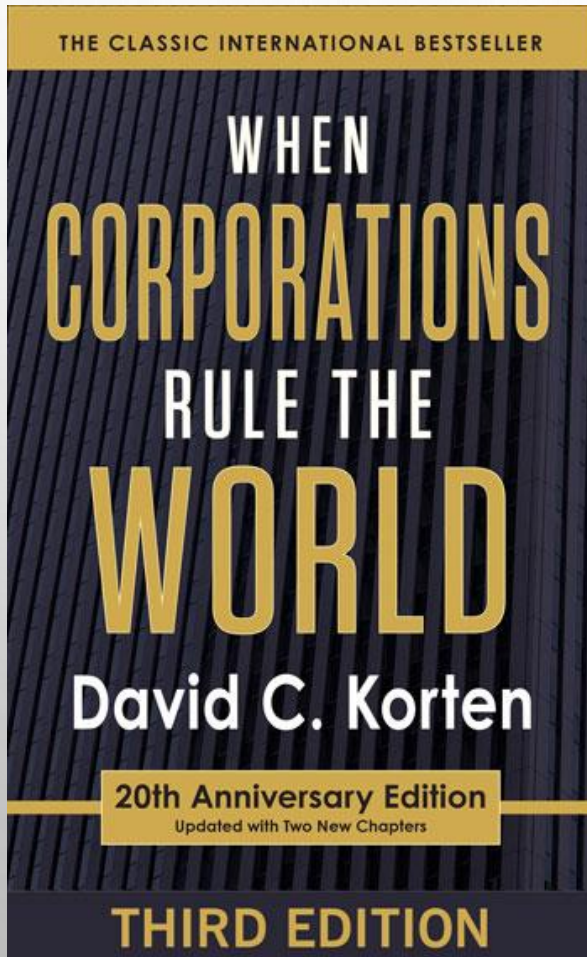




# RISE OF COOPERATE POWER



- **Positive** : allow for aggregating of financial resources
- **Negative** : individuals can leverage large economic and political resources behind
- Large corporations commonly join forces to advance shared political and economic agendas.
  - In the United States, they have been engaged for more than 150 years in restructuring the rules
- The United States remained the dominant player in shaping international institutions such as the United Nations, the International Monetary Fund, the World Bank, and the world trade organization, the English parliament, which during the seventeenth and eighteenth centuries, passed one set of laws.

# WEALTH OF COOPERATES

- **Smith** saw corporations, much as he saw governments, as instruments for suppressing the beneficial competitive forces of the market.
- “It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation law, have been established.”
- The publication of *The Wealth of Nations* and the signing of the US Declaration of Independence both occurred in 1776 manifesto challenging the abusive control of markets
- The early charters were limited to a fixed number of years and required that the corporation be dissolved if the charter were not renewed

# WEALTH OF COOPERATES

- Wealth of cooperates
  - Took advantage of the disarray to enrich them in the future
  - Gradually, cooperate gained enough control over state legislative
    - Rewrite the law
  - Conservative court also was responsive to appeals cooperate law
  - Protection of cooperation
- In 1886, private cooperation is a nature person under the U.S. constitution

# WEALTH OF COOPERATES

- Finally corporates claimed the full right of individual citizens while exempting from responsibility of citizenship.
  - Can influence government in their own interest
- There were days of violence and social instability by excesses of capitalism that **Marx** described
  - Bad working condition
  - Child labour widespread
- Union membership rose substantially between 1897 – 1904
  - Thriving social movement , was rooted in America and called for socialisation and democratic control
  - United ethnic group, women's labour union

# WEALTH OF COOPERATES

- In the end, competitive market became profitable
  - Fear of growing socialist power might eliminate industrial privileged position
  - Consolidated their power and limit competition
- Better wage, benefits, work condition reduce the appeal of socialism and encourage work royalties, motivation
- These reforms against a backdrop of struggle
  - A pro business judicial system help labour movement
  - However, monopolist were allowed to flourish within loosely regulated economy
  - Even though the American have better lives, high inequality, 1% of population control 59% of national wealth

# ASCENDANCE AND REVERSAL OF PLURALISM

- By the time of Roosevelt, the depression resulted in everyone produced political and cultural radicalism through out the U.S.
- On may 27, 1935, the supreme court ruled that states could not set minimum wage
  - Show its old pattern of defence businesses over human rights
- Pluralism flourished into 1960s – period of cultural rebellion in the U.S.
  - The U.S. Cooperate establishment was shaken due to threats to its values and interests and the drop of consumption culture
  - Young generation rebelled **against the excess of affluence** not poverty

# ASCENDANCE AND REVERSAL OF PLURALISM

- Aboard, U.S. Corporations were under the attack on 2 sides
  - Japan and newly industrialising countries
  - Prevented from penetrating southern economies
- Ronald Regan created the based prosperity to respond to U.S. Corporate interests
  - In 1982 debt crisis, the U.S. Dominated international organisations to restructure the economies of debt burdened Southern countries
  - Open them to penetration by foreign corporates

# ASCENDANCE AND REVERSAL OF PLURALISM

- American corporate returned to control political agenda and court system
  - Tax on the rich radically reduced
  - Merger and acquisition were removed
  - Enforcement of environment and labour standard were weakened
- US government on corporate side
  - Breaking the union's power
  - Reducing wages and benefits etc

# ASCENDANCE AND REVERSAL OF PLURALISM

- Unemployment became chronic problem, unions lost members
- The Reagan administration strengthened U.S. Military and short economic growth, but weakened the U.S. Global position in long term
  - Massive deficit on military spending
  - Denying any government role in economic planning
  - Squandered its human capital

# A QUESTION OF GOVERNANCE

- *Free market can satisfies the demand and more efficient*
- *The logic is simple: in the free market, people express their sovereignty directly with their consumer dollar*
  - *OR “one dollar = one vote”*
  - *Bias to the rich and large corporation*

# THE CORPORATE LIBERTARIANS

- *Free-market ideology has been embraced around the world*
- *The sanctification of the greed*
- The beliefs espoused by free market ideologues
  - Sustained economic growth is path to human progress
  - Result in most efficient and socially optimal allocation
  - Globalization with less barriers, more competition generally benefits everyone
  - Privatisation
  - Government just provide infrastructure and law that respect to property rights and contracts
  - people are by nature motivated by greed
  - the drive to acquire is the highest expression of what it means to be human
  - the pursuit of greed and acquisition leads to socially optimal outcomes
  - is the best interest of human societies to encourage honour and reward the above values
- However, it exists all around and shaping nearly every aspects of public policy

# *THE CORPORATE LIBERTARIAN ALLIANCE*

- 3 major constitutions –
  - Economic rationality,
  - Market liberals:
    - Those who believe that Individuals have the rights to pursue whatever they wish, as long as they respect the same rights of others.
  - Members of the corporate class
- Economic rationality
  - The first principle of neoclassical economists is that individuals are motivated by self-interest given maximum freedom from restraint
  - Leading to social optimality
  - Give free market ideology its intellectual legitimacy

# THE DECLINE OF DEMOCRATIC PLURALISM

- The industrial west intensified its effort to create a unified global economy through such as GATT,WTO and NAFTA
  - America emerged from WWII with government, market and civil society
  - Healthier, more dynamic and creative balance then pre-civil war
  - Not truly capitalism, but pluralism
- Some countries embrace some degree of public ownership
  - Soviet Union take the extreme; Eliminate governance role of civil society. Both unresponsive and inefficient in the use of resources

# THE DECLINE OF DEMOCRATIC PLURALISM

- U.S. head to similar path, but driven to dependence on detached and unaccountable corporation
  - The closer to corporate libertarian, the greater the failure of market regime.
  - Both lead to unaccountable centralised institutions
  - Economic systems destroy the living system
  - Empower mega-institutions → erode social capital
  - Destroy spiritual connection to the earth and to community

# WHAT'S WRONG WITH FREE MARKET?

- FREE COMPETITION
  - THE WINNER GET BIGGER AS THEY WIN → CREATE MONOPOLY POWER
- MORAL CAPITAL
  - MARKET WITHOUT TRUST, COOPERATION AND COMPASSION → HIGHLY INEFFICIENT
- PUBLIC GOOD
  - NO ONE WILL BUILD PUBLIC GOODS
  - GOVERNMENT'S ROLE
- FULL-COST PRICING
  - OPTIMAL ALLOCATION ONLY WHEN SELLERS AND BUYERS BEAR FULL-COSTS

# WHAT'S WRONG WITH FREE MARKET?

- Just distribution
  - Capital owners can increase their wealth by unjust distribution
- Ecological sustainability
  - Free-market neglect ecological issues
- The corrosive effect of globalization
  - Market mechanisms is essential to recognize self-interest
    - Use to form constructive benefit
  - Both government and private can be inefficient
    - Appropriate to reduce inefficiency
  - Control its domestic without creating barriers to international trade and investment
    - But government has morally rights to protect for local investment

# THE BETRAYAL

- Smith's ideal
  - Market has only small buyers and sellers
    - Give fair return
    - Give optimal outcomes for society
- Current effort is to strengthen corporate monopoly
- Dislike for both government and corporation
  - Extract taxes to subsidy the elite and market intervention
- The theory of market economics  $\neq$  free market ideology
  - The greater violations of basic conditions for efficient price, the less effective market is

# THE BETRAYAL

- Competitive market
  - In unregulated real world, the successful players are larger
    - Create economic power to block entry
  - Full costs of production must be borne by producers (cost internalization)
    - Not true. Society has to bear some costs
    - e.g. Lumber companies
  - Capital must be domestically rooted + owner directly involve in management
    - Trade will benefit people in both countries given
      - Capital can not cross border
      - Balance trade
      - Full employment

# THE MORAL JUSTIFICATION OF INJUSTICE

- The moral philosophy of market liberalism
  - Neglect the distinction between the right of money and people
  - Equate freedom and rights of individuals with market freedom and property right
- Value-free objective and ethical moral philosophy
  - Economically, for rich countries to expose their waste to the poor countries due to
    - Shorter life span
    - Less earning potential

# THE MORAL JUSTIFICATION OF INJUSTICE

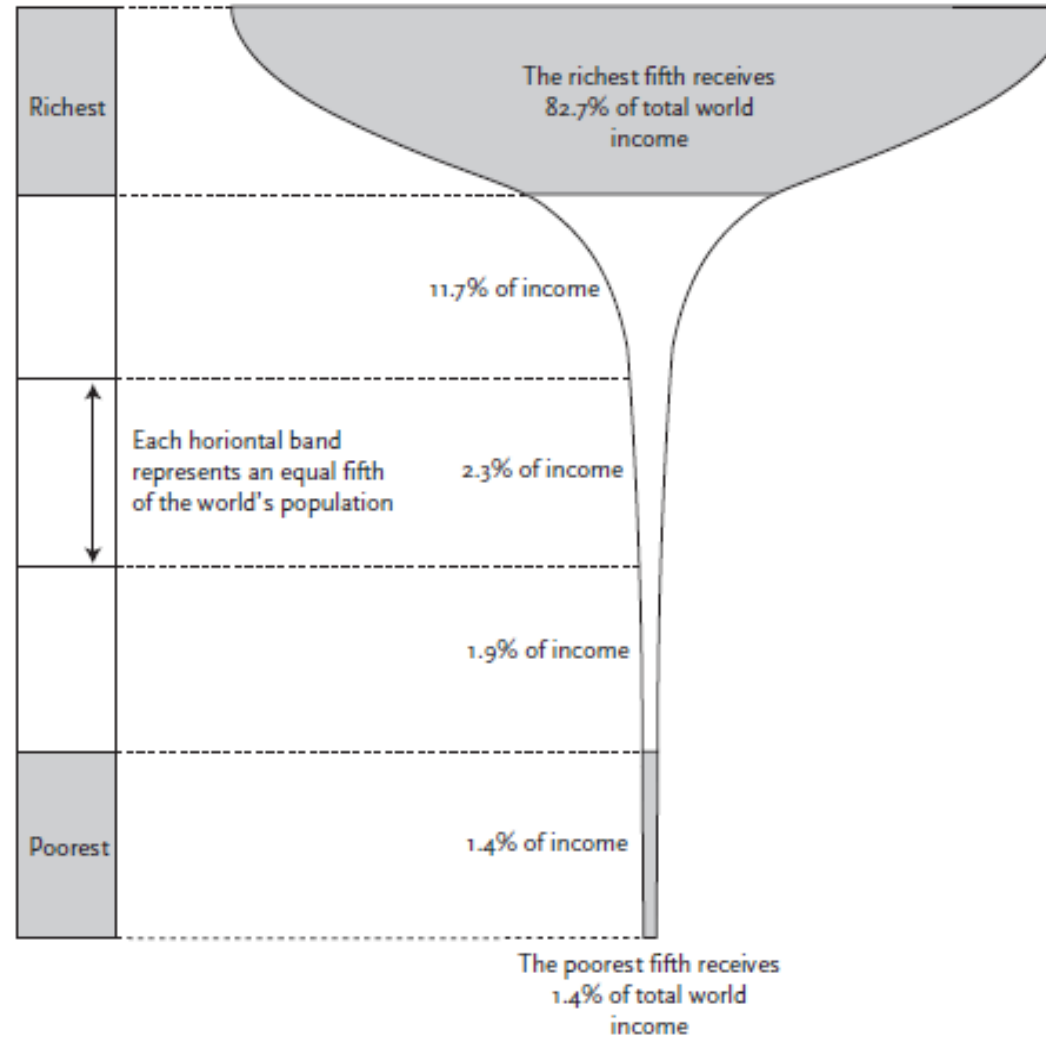
- ECONOMIC RATIONALIST: RICH COUNTRIES CONSUME MORE → POOR: EXPORT MORE
  - IGNORE ENVIRONMENTAL LIMIT
- ECONOMIC RATIONALIST AND MARKET LIBERTARIANISM
  - CALL FOR END SUBSIDY AND BREAK UP CORPORATE MONOPOLY
    - INTERNALIZE SOCIAL AND ENVIRONMENTAL COSTS

# Environmental Justice: Pollution Haven Hypothesis

- Pollution intensive economic activity tends to migrate to jurisdictions where environmental regulation is lowest
  - Desperate for wealth - Compete for waste/resource!
    - Poorer countries disproportionately affected
    - Toxic Traders – 1980s – Eastern Europe and developing world
      - Ex. 1986 *Khian Sea* – Norwegian ship registered to Liberia
        - Dumped thousands of tons of incinerator ash on Haitian Beach
        - Spent two years trying to find port for remaining toxic waste
        - Suspected to have dumped it in Indian Ocean
      - Nigeria – Italy shipped (PCBs) polychlorinated biphenyls to farmer and paid to store
        - Ruptured and contaminated fields and village
    - Guiya, China – airborne hydrocarbons and heavy metals
      - 100 to 600 times higher than other Asian cities
        - Link pregnancy to neurological impairment development
        - PCBs in human breast milk
        - Inhalation and fish consumption

World  
population  
arranged  
by income

Distribution of income



Source: United Nations Development Programme, *Human Development Report 1992* (New York: Oxford University Press, 1992).

- Disparities among countries

# WELL-FUNCTIONING SOCIETY

- CIVIL
  - A COLLECTIVE OF PEOPLE THAT DEMAND THEIR RIGHTS TO FULFILL RESPONSIBILITIES AS CITIZEN
  - SUCH AS LABOUR UNION
- GOVERNMENTAL SECTOR
  - LEGITIMATED BY PEOPLE
  - POWER TO MEET PUBLIC NEED
    - MAINTAIN SOCIAL ORDER
    - TAXES
- MARKET SECTOR: ECONOMIC EXCHANGE
  - GENERATE WEALTH FROM VALUE-ADDED
  - RESPOND TO MONEY AND FINANCIAL VALUES



# DREAMING OF GLOBAL EMPIRES

- In past 2 decades, rapid institutional transformation
- Driven by global dreams of
  - Corporate empire
  - Compliant government
  - Globalized consumer monoculture



# CORPORATION BEYOND NATIONAL INTERESTS

- Transnationalism involve
  - The integration of firms' global operation
- The more protected individual market are, the more global firm is forced in multinational mode
- Take advantages of difference between localities
- If firm has ability to move capital, goods, technology, personnel
  - Put pressure on localities
- Maquiladoras = assembly plants in free-trade zone in Mexico
- Attract many American companies
  - Low wages: Mexican government has denied workers the right to form labour union
  - Loosed environmental regulation: can operate without environmental license

# MOBILIZING CORPORATE POLITICAL RESOURCES

- Before the 1970s, business interests were represented by old-fashioned corporate lobbying organizations.
- Corporations began to create their own citizen organization with names and images to mask their sponsorship and their true purpose
- Business interests funded the formation of new conservative policy revived lethargic pro-establishment think tanks
- In 1970, only a handful of the fortune 500 companies had public affairs offices in Washington
- By 1980, more than 80 percent did
- Business interests funded the establishment of law and economics programme in leading law schools to support research advancing the premise

# BUILDING BUSINESS LOBBIES

- Business roundtables are national associations of the chief executive officers (CEOs) of the largest transitional corporations
  - The first business roundtable was formed in the United States in 1972
    - Includes fifty largest fortune 500 U.S. Industrial corporations
    - 7 of 8 largest U.S. Commercial banks
  - The roundtable has unusually narrow notion of what constitutes a “cross section” of thinking on national issues
    - Took an especially active role in campaigning for NAFTA
- Nine of the USA \* NAFTA state captains were among the U.S. Corporations that according to 180,000 jobs to Mexico during 12 years

# MARKETING THE WORLD

- Ideal worlds of global can be characterised by one of which
  - World money, technology and market are controlled by gigantic global companies
- In modern world, television has become an important institution of cultural reproduction
- Advertising: Consumer's interest = Corporate's interest
- The consumer culture emerged as a consequence of 19th century retailing giants
  - Ever-growing demand for goods
- Large corporations became good at creating desire for their products
  - Businesses are good at marketing
- Today, TV is a channel for corporation to shape American behaviors and cultures

# THE ONE WORLD OF MTV KNOWS – “COKE IS BEST”



- Local culture can be trade barriers
  - Local taste and cultural difference
    - A gain for international marketing
  - Few media provide greater potential for realize this than MTV
- The most aggressive effort to universalized the consumer culture
  - AVON beauty product company
  - 70,000 AVON saleswomen take AVON message to every rural doorstep



# ADJUSTING THE POOR

- In the flurry of global institutions building, the spotlight of the public was on UN
- In contrast, 3 other multilateral institutions (AKA Bretton Woods institutions):  
WORLD BANK/IMF/GATT
- How these organizations have worked to deepen the dependence of low-income countries on the global system?

# CREATING DEMAND FOR DEBT

- The primary objective of world bank was to finance Europe reconstruction
- In 1947-1948, the lack of demand for its loan was not limited to European including low-income countries
- Problems
  - Borrowers have no technical and planning skills
  - Governmental position were spilt into economic nationalist and trans-nationalist
  - Economic nationalist: Comprises those businessman in serving the local market
- In 1950s, the bank decided to address barriers
  - In order to respond to the needs and request of borrowing countries (false!!)
  - The bank set: increase its leverage over the policies by establishing donor coordination on a country-by-countries basis

# WHEN THE BILL COLLECTOR CALLS

- In the 1970s, oil price rose imposed by OPEC
  - Oil-importing low-income in a critical foreign exchange position
- In their capacity as international receiving
  - The World Bank and IMF imposed packages of policies under structural adjustment
  - Some of reforms were long overdue economy
  - e.g. Reduction of subsidies to the rich
- 2 purposes
  - To ensure that loans from both the commercial and the multilateral bank were repaid
  - To advance the integration of domestic to global
- They proclaim
  - The reforms is to be a resounding and debt crisis resolved

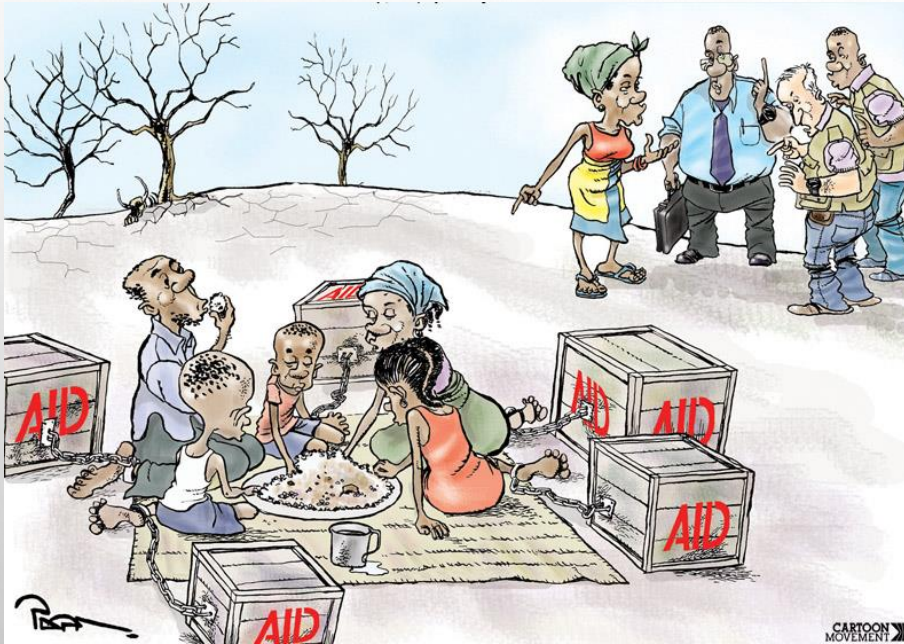
# THE CORPORATE CONNECTION

- Although it creates images of serving the poor, the World Bank is a creature of the transitional finance
  - Leads to governments, its contracts involve transitional firm
  - It just make governmental guaranteed loan favor to private investors
- If the poor matted,
- Robert Taft rose as an opponent of formational of the world bank
  - Major beneficiaries would be wall street investment banks
- Development is a process which human, institution, technical capacities
- To achieve substitutable import and export led

# THE CORPORATE CONNECTION

- Debates: import-substitution VS export-led development
- Both focus on production for the well-off people
  - The poor hardly afford
- Foreign aid became actively anti-development
  - When it does not support self-alliance
  - Evidence that the world bank's project are failure

# SAMARITAN'S DILEMMA



- The **Samaritan's dilemma** is a dilemma in the act of charity. It hinges on the idea that when presented with charity, in some location such as a soup kitchen, a person will act in one of two ways: using the charity to improve their situation, or coming to rely on charity as a means of survival. [James Buchanan]

# THE WORLD'S HIGHEST JUDICIAL AND LEGISLATIVE BODY

- The key provision of GATT creating the WTO
  - “Each member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed agreements.
  - Allows a WTO member country to challenge any law of another member country
- Conservation measures that restrict the export of a country's own resources
  - Can be ruled unfair trade practices

### **Shrimp-turtle case**

- In 1994, the WTO intervened to address member concerns regarding the import of shrimp and its impact on turtles
- The WTO upheld the U.S. Ban based on the process of production and not the product itself although the U.S. Lost the proceedings and had the ban declared inconsistent with the GATT 1994 because the ban was discriminatory against other nations

### **TUNA-DOLPHIN CASE**

- The US and the public later required the ban of tuna caught by ocean floor trawling.
- Tuna sold to the us markets had to be labelled "dolphin safe".
- The united states lost the tuna-dolphin case, both times. The first was when mexico opened a dispute. The second was the european economic community and the netherlands
- "Process versus product" and "extraterritoriality"

# GOVERNANCE IN THE CORPORATE INTEREST

- The world's major transnational corporations have had a highly influential insider role in GATT negotiations and are similarly active in the WTO.
  - The corporate interest, however, was well represented
  - Of the 92 corporations represented on the three trade advisory panels
- Is heavily influenced by industry and has tended to harmonize standards downward
- Governmental delegations to codex routinely include nongovernmental representatives, but they are chosen almost exclusively from industry

# PROTECTING INTELLECTUAL PROPERTY MONOPOLIES

- Many of the GATT-WTO provisions have been promoted as necessary to ensure the efficient functioning of competitive markets
  - To privatize the rights to genetic materials, including seeds and natural medicines, through patenting.
  - A few companies have effectively obtained monopoly rights over genetic research on an entire species and on any useful products of that research
    - Under existing US patent law, a farmer who saves and replants the offspring of a patented seed violates patent law.
    - A review of the accomplishments of the three Bretton woods institutions brings their actual functions into sharp focus
- <https://www.youtube.com/watch?v=drL2YBHA178>

- 
- World war II did not end the global domination of the weak by strong states
    - This elite interest has been closely aligned with the corporate interest in advancing deregulation and economic globalization
    - It is not possible to have healthy, equitable, and democratic societies when political and economic power is concentrated in a few gigantic corporations able to dictate public priorities