Corporatocracy

From Wikipedia, the free encyclopedia

Corporatocracy

- *Economist Jeffrey Sachs described the United States as a corporatocracy in The Price of Civilization (2011).*
- *Corporatocracy (/ˌkɔːrpərəˈtɒkrəsi/, from corporate and Greek: -κρατία, romanized: -kratía, lit.*
- *term used to refer to an economic and political system controlled by corporations or corporate interests.*

Corporatocracy (/ˌkɔːrpərəˈtɒkrəsi/, from corporate and Greek: -κρατία, romanized: -kratía, lit. 'domination by', short form corpocracy, is a recent[when?] term used to refer to an economic and political system controlled by corporations or corporate interests. It is most often used as a term to describe the economic situation in the United States. This is different from corporatism, which is the organisation of society into groups with common interests. Corporatocracy as a term is often used by observers across the political spectrum.

Economist Jeffrey Sachs described the United States as a corporatocracy in The Price of Civilization (2011). He suggested that it arose from four trends: weak national parties and strong political representation of individual districts, the large U.S. military establishment after World War II, large corporations using money to finance election campaigns, and globalization tilting the balance of power away from workers.

This collective is what author C Wright Mills in 1956 called the "power elite", wealthy individuals who hold prominent positions in corporatocracies. They control the process of determining a society's economic and political policies.

The concept has been used in explanations of bank bailouts, excessive pay for CEOs as well as complaints such as the exploitation of national treasuries, people and natural resources. It has been used by critics of globalization, sometimes in conjunction with criticism of the World Bank or unfair lending practices as well as criticism of "free trade agreements".

Characteristics

- *His follow-up book, Mass Flourishing, further defines corporatization by the following attributes: power-sharing between government and large corporations (exemplified in the U.S. by widening government power in areas such as financial services, healthcare, energy, law enforcement/prison systems, and the military through regulation and outsourcing), an expansion of corporate lobbying and campaign support in exchange for government reciprocity, escalation in the growth and influence of financial and banking sectors, increased consolidation of the corporate landscape through merger and acquisition (with ensuing increases in corporate executive compensation), increased potential for corporate/government corruption and malfeasance, and a lack of entrepreneurial and small business development leading to lethargic and stagnant economic conditions.*

Edmund Phelps published an analysis in 2010 theorizing that the cause of income inequality is not free market capitalism, but instead is the result of the rise of corporatization. In this view, corporatization is the antithesis of free market capitalism. It is characterized by semi-monopolistic organizations and banks, big employer confederations, often acting with complicit state institutions, in ways that discourage (or block) the natural workings of a free economy. The primary effects of corporatization are the consolidation of economic power and wealth, with the end results being the attrition of entrepreneurial and free market dynamism.

His follow-up book, Mass Flourishing, further defines corporatization by the following attributes: power-sharing between government and large corporations (exemplified in the U.S. by widening government power in areas such as financial services, healthcare, energy, law enforcement/prison systems, and the military through regulation and outsourcing), an expansion of corporate lobbying and campaign support in exchange for government reciprocity, escalation in the growth and influence of financial and banking sectors, increased consolidation of the corporate landscape through merger and acquisition (with ensuing increases in corporate executive compensation), increased potential for corporate/ government corruption and malfeasance, and a lack of entrepreneurial and small business development leading to lethargic and stagnant economic conditions.

United States

- *With regard to income inequality, the 2014 income analysis of University of California, Berkeley economist Emmanuel Saez confirms that relative growth of income and wealth is not occurring among small and mid-sized entrepreneurs and business owners (who generally populate the lower half of top one per-centers in income), but instead only among the top .1 percent of income distribution, whom economics Nobel Prize winner, Paul Krugman describes as "super-elites – corporate bigwigs and financial wheeler-dealers" who earn $2,000,000 or more every year.*

In the United States, several of the characteristics described by Phelps are apparent. With regard to income inequality, the 2014 income analysis of University of California, Berkeley economist Emmanuel Saez confirms that relative growth of income and wealth is not occurring among small and mid-sized entrepreneurs and business owners (who generally populate the lower half of top one per-centers in income), but instead only among the top .1 percent of income distribution, whom economics Nobel Prize winner, Paul Krugman describes as "super-elites – corporate bigwigs and financial wheeler-dealers" who earn $2,000,000 or more every year.

Share of income

- *Further, since lower income families tend to spend relatively more of their income than higher income families, shifting more of the income to wealthier families may slow economic growth.*
- *Corporate power can also increase income inequality.*
- *This indicates a shift in income from labor (persons who derive income from hourly wages and salaries) to capital (persons who derive income via ownership of businesses, land and assets).*

Corporate power can also increase income inequality. Nobel Prize winner of economics Joseph Stiglitz wrote in May 2011: "Much of today's inequality is due to manipulation of the financial system, enabled by changes in the rules that have been bought and paid for by the financial industry itself—one of its best investments ever. The government lent money to financial institutions at close to zero percent interest and provided generous bailouts on favorable terms when all else failed. Regulators turned a blind eye to a lack of transparency and to conflicts of interest." Stiglitz explained that the top 1% got nearly "one-quarter" of the income and own approximately 40% of the wealth.

Measured relative to GDP, total compensation and its component wages and salaries have been declining since 1970. This indicates a shift in income from labor (persons who derive income from hourly wages and salaries) to capital (persons who derive income via ownership of businesses, land and assets).

Some five percent of U.S. GDP was approximately $850 billion in 2013. This represents an additional $7,000 in compensation for each of the 120 million U.S. households. Larry Summers estimated in 2007 that the lower 80% of families were receiving $664 billion less income than they would be with a 1979 income distribution (a period of much greater equality), or approximately $7,000 per family.

Not receiving this income may have led many families to increase their debt burden, a significant factor in the 2007–2009 subprime mortgage crisis, as highly leveraged homeowners suffered a much larger reduction in their net worth during the crisis. Further, since lower income families tend to spend relatively more of their income than higher income families, shifting more of the income to wealthier families may slow economic growth.

Effective corporate tax rates

- *Six more also planned to do so in 2015.*
- *Some large U.S. corporations have used a strategy called tax inversion to change their headquarters to a non-U.S. country to reduce their tax liability.*

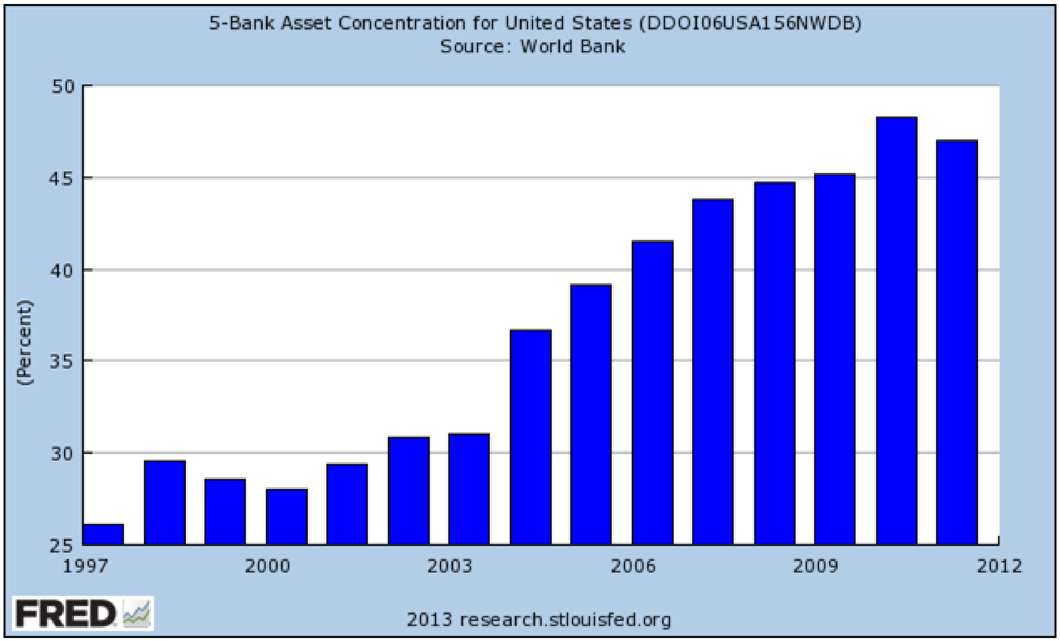
Some large U.S. corporations have used a strategy called tax inversion to change their headquarters to a non-U.S. country to reduce their tax liability. About 46 companies have reincorporated in low-tax countries since 1982, including 15 since 2012. Six more also planned to do so in 2015.

Stock buybacks versus wage increases

- *One indication of increasing corporate power was the removal of restrictions on their ability to buy back stock, contributing to increased income inequality.*
- *Writing in the Harvard Business Review in September 2014, William Lazonick blamed record corporate stock buybacks for reduced investment in the economy and a corresponding impact on prosperity and income inequality.*

One indication of increasing corporate power was the removal of restrictions on their ability to buy back stock, contributing to increased income inequality. Writing in the Harvard Business Review in September 2014, William Lazonick blamed record corporate stock buybacks for reduced investment in the economy and a corresponding impact on prosperity and income inequality. Between 2003 and 2012, the 449 companies in the S&P 500 used 54% of their earnings ($2.4 trillion) to buy back their own stock. An additional 37% was paid to stockholders as dividends. Together, these were 91% of profits. This left little for investment in productive capabilities or higher income for employees, shifting more income to capital rather than labor. He blamed executive compensation arrangements, which are heavily based on stock options, stock awards and bonuses for meeting earnings per share (EPS) targets. EPS increases as the number of outstanding shares decreases. Legal restrictions on buybacks were greatly eased in the early 1980s. He advocates changing these incentives to limit buybacks.

In the 12 months to March 31, 2014, S&P 500 companies increased their stock buyback payouts by 29% year on year, to $534.9 billion. U.S. companies are projected to increase buybacks to $701 billion in 2015 according to Goldman Sachs, an 18% increase over 2014. For scale, annual non-residential fixed investment (a proxy for business investment and a major GDP component) was estimated to be about $2.1 trillion for 2014.



Percentage of banking assets held by largest five U.S. banks from 1997-2011.

Industry concentration

- *The summary argument, considering these findings, is that if corporatization is the consolidation and sharing of economic and political power between large corporations and the state ... then a corresponding concentration of income and wealth (with resulting income inequality) is an expected by-product of such a consolidation.*

Brid Brennan of the Transnational Institute explained how concentration of corporations increases their influence over government: ”It’s not just their size, their enormous wealth and assets that make the TNCs [transnational corporations] dangerous to democracy. It’s also their concentration, their capacity to influence, and often infiltrate, governments and their ability to act as a genuine international social class in order to defend their commercial interests against the common good. It is such decision making power as well as the power to impose deregulation over the past 30 years, resulting in changes to national constitutions, and to national and international legislation which has created the environment for corporate crime and impunity."

An example of such industry concentration is in banking. The top 5 U.S. banks had approximately 30% of the U.S. banking assets in 1998; this rose to 45% by 2008 and to 48% by 2010, before falling to 47% in 2011.

The Economist also explained how an increasingly profitable corporate financial and banking sector caused Gini coefficients to rise in the U.S. since 1980: "Financial services' share of GDP in America doubled to 8% between 1980 and 2000; over the same period their profits rose from about 10% to 35% of total corporate profits, before collapsing in 2007–09.

Bankers are being paid more, too. In America the compensation of workers in financial services was similar to average compensation until 1980. Now it is twice that average."

The summary argument, considering these findings, is that if corporatization is the consolidation and sharing of economic and political power between large corporations and the state ... then a corresponding concentration of income and wealth (with resulting income inequality) is an expected by-product of such a consolidation.

Corporate influence on legislation

- *For example, Senator Elizabeth Warren explained in December 2014 how an omnibus spending bill required to fund the government was modified late in the process to weaken banking regulations.*
- *Corporations have significant influence on the regulations and regulators that monitor them.*
- *She repeated President Theodore Roosevelt's warnings regarding powerful corporate entities that threatened the "very foundations of Democracy."*

Corporations have significant influence on the regulations and regulators that monitor them. For example, Senator Elizabeth Warren explained in December 2014 how an omnibus spending bill required to fund the government was modified late in the process to weaken banking regulations. The modification made it easier to allow taxpayer-funded bailouts of banking "swaps entities", which the Dodd-Frank banking regulations prohibited. She singled out Citigroup, one of the largest banks, which had a role in modifying the legislation. She also explained how both Wall Street bankers and members of the government that formerly had worked on Wall Street stopped bi-partisan legislation that would have broken up the largest banks. She repeated President Theodore Roosevelt's warnings regarding powerful corporate entities that threatened the "very foundations of Democracy."

Historical corporatocracies

- *Several companies that typify corporatocracy power structures are listed below by incorporation date:*

Several companies that typify corporatocracy power structures are listed below by incorporation date:

Indian subcontinent

- *1600: Company rule in India by the British East India Company*
- *1664: French East India Company*
- *1602: Dutch East India Company*
- *1616: Danish East India Company*

1600: Company rule in India by the British East India Company

1602: Dutch East India Company

1616: Danish East India Company

1664: French East India Company

Caribbean

- *1674: French West India Company*
- *1621: Dutch West India Company*
- *1671: Danish West India Company*

1621: Dutch West India Company

1671: Danish West India Company

1674: French West India Company

North America

- *1670: The Hudson's Bay Company which operated as not only a monopoly, but the de facto government, in parts of North America which would later become Canada and the United States*

1670: The Hudson's Bay Company which operated as not only a monopoly, but the de facto government, in parts of North America which would later become Canada and the United States

Africa

- *1889: Company rule in Rhodesia by the British South Africa Company*

1672: Compagnie du Sénégal

1879: International Association of the Congo

1889: Company rule in Rhodesia by the British South Africa Company

Central America

- *1899: United Fruit Company (which later became Chiquita Brands International), operating as a banana republic in Guatemala, Costa Rica, and Honduras*
- *1924: Standard Fruit Company (which later became Dole Food Company), operating as a banana republic in Honduras and other countries*

1899: United Fruit Company (which later became Chiquita Brands International), operating as a banana republic in Guatemala, Costa Rica, and Honduras

1924: Standard Fruit Company (which later became Dole Food Company), operating as a banana republic in Honduras and other countries

Voting rights

- *Corporations have held the right to vote in some jurisdictions.*
- *For example, livery companies currently appoint most of the voters for the City of London Corporation, which is the municipal government for the area centered on the financial district.*

Corporations have held the right to vote in some jurisdictions. For example, livery companies currently appoint most of the voters for the City of London Corporation, which is the municipal government for the area centered on the financial district.

Fictional corporatocracies

- *TriOptimum in the video game System Shock 2*
- *The Caldari State in the video game EVE Online*
- *The Kel-Morian Combine from the Starcraft video game*
- *The New Conglomerate in the video game PlanetSide 2*
- *The novel Jennifer Government*
- *The American Trade Organisation also known as The Corporation from State of Emergency (video game)*

Weyland-Yutani of the Alien movie franchise

Nea So Copros in the novel Cloud Atlas

The TV series Continuum

The TV series Dark Matter

The Caldari State in the video game EVE Online

The novel Jennifer Government

The MaddAddam trilogy of novels

Omni Consumer Products in the Robocop movie franchise

TriOptimum in the video game System Shock 2

The New Conglomerate in the video game PlanetSide 2

The movie Rollerball

The nation of Cascadia, ruled by the Conglomerate, in the video game Mirror's Edge Catalyst

The United States Government in the comic book series "Marvel 2099"

The novel Snow Crash

The Trade Federation and the Confederacy of Independent Systems in the Star Wars movie franchise

Spiga Biotech from the TV series Incorporated

The Umbrella Corporation from the Resident Evil video game and movie franchise

The Kel-Morian Combine from the Starcraft video game

The Usean Continent under Neucom and General Resource, from the video game Ace Combat 3: Electrosphere

TF Industries, from the video game Team Fortress 2

Vault-Tec Corporation, from the Fallout video game franchise

Buy n Large in the Pixar movie WALL-E

The movie War, Inc.

The American Trade Organisation also known as The Corporation from State of Emergency (video game)

The different manufacturers from the Borderlands (video game) franchise

The Shinra Company ruling the city of Midgard Final Fantasy VII

See also

- *The Power Elite (book)*

Works

The Corporation (film)

The Power Elite (book)

Zeitgeist: The Movie

References

External links

- *Crimes of Globalization: The Impact of U.S. Corporatocracy in Third World Countries by John Flores-Hidones*
- *lecture on Corporatocracy John Perkins lecture on Corporatocracy*

lecture on Corporatocracy John Perkins lecture on Corporatocracy

Teaching for Democracy in an Age of Corporatocracy by Christine E. Sleeter, Teachers College, Columbia University.

Crimes of Globalization: The Impact of U.S. Corporatocracy in Third World Countries by John Flores-Hidones