A CURE FOR CORPORATE NEUROSIS

by Robert Lekachman

THE LARGE CORPORATION, usually American-based and global in scope, is the dominant social invention of the twentieth century. The corporation occupies a place as important in our time as that of the Holy Roman Church in medieval Europe or of the monarch who ruled by reason of divine right during the sixteenth- and seventeenth-century heyday of mercantilism. It is not surprising, then, that social critics like Michael Harrington despair because they are convinced that multinational corporations backed by complaisant governments have shaped and distorted the economic development of the Third World.

Respected political scientists like Yale's Charles E. Lindblom, who was once an advocate of political pluralism, have taken to arguing that in a society such as ours, business interests set the agenda of public discussion. Lindblom maintains that such interests exclude from debate policies that are unacceptable to corporate leaders, and he says that these interests constitute a pressure group far more powerful than trade unions, consumers, academic intellectuals, environmentalists, minorities, or other groups.

Yet by all the evidence of their own speeches and statements, businessmen do not see themselves as a menace, but rather as being on the defensive in the face of constant attacks by the public. They are uneasily aware of opinion poll findings that reveal a public distrust and suspicion of corporate behavior scarcely less intense than the public's disaffection for politicians, lawyers, university teachers, and other elitists. This disaffection extends to minor as well as to major considerations: A recent survey disclosed that one out of every five purchases made by consumers creates some dissatisfaction because the product is defective, wears out too soon, or proves difficult to service. The survey's findings are echoed by Harold Williams, head of the Securities and Exchange Commission, who recently charged, "The public is convinced that big business is ripping everybody off to get what it wants for itself. The public believes the charges leveled at corporations and does not trust those who speak for the corporations."

So while corporations usually manage to get their own way in matters of concern to them, they regard themselves and their power as objects of unjustified general suspicion—under intermittent assault by political demagogues, energetic trade unionists, ill-informed media critics, miscellaneous Naderites in and out of political office, environmentalists sane and otherwise, and professors who have never met a payroll or talked at length with anyone who has. Yet to any reasonably impartial observer, the evidence of corporate clout is overwhelming. For example, moves to rearrange the structure of business—such as the late Senator Philip Hart's industrial divestiture proposal or Senator Adlai Stevenson's Federal Oil and Gas Corporation bill—somehow flicker out both in congressional committees and in public discussion.

Another case in point: Despite its tedious screams of pain, the energy industry has manifestly safely negotiated the storm of public criticism that accompanied and followed the 1973 OPEC boycott. When he was a candidate, Jimmy Carter hinted that as president he would check the movement of Exxon and its gigantic siblings into coal, solar energy, uranium, and other alternatives to petroleum. Once he was in the White House, however, Carter excluded such thoughts from his energy bill.

More recently, Treasury Secretary W. Michael Blumenthal assured the business community that the administration's new tax proposals would concentrate on tax reductions and would postpone tax reform for yet another season. The three-martini lunch appears to be safe. The President's manifest hesitancy to deny Dr. Arthur Burns a third four-year term as the head of the Federal Reserve System testifies to Carter's respect for the economist's reputation in business legend as an implacable foe of inflation. Finally, against his own free trade instincts, Carter has moved in the direction of protectionism for producers of domestic steel, shoes, and television sets.

There are good reasons why the large corporation is open to public criticism. The most important reason is that the corporation has failed in its role as a major supplier of jobs in the present and as a provider of additional jobs in the future. Allied to the corporation's failure to create employment is its enormous mobility, which can foster unemployment. Industry has been migrating from the high-wage cities of New England, the Middle Atlantic States, and the Midwest to the low-wage, antiunion, warm, and hospitable communities in Texas, Arizona, Georgia, and Alabama. The ensuing economic boom in the Sunbelt has been accompanied by depression in the Snowbelt. What is even more catastrophic for factory workers and for the communities dependent on their paychecks is that some multinationals—ever on the hunt for lower production costs and other operational advantages—have shifted manufacturing and assembly facilities out of the United States to Southeast Asia and to Mexico, Brazil, and other countries where labor is cheap, unions are illegal or weak, and local governments are cooperative.

A second reason for public criticism is that because of the corporations' enormous economic power, presidents from both major parties are compelled to give more weight to the opinions, complaints, and demands of the business community than to the desires of their other constituents. This is not to say that businessmen get 100 percent of their agenda adopted, even under conservative administrations. To be successful, presidents and congresspersons must pay heed to other, noncorporate voices as well. But the business community year in and year out fares far better legislatively than does any other constituency.

All the same, those who speak for business should be worried about the public's low opinion of corporate behavior, which is shared even by citizens who depend on corporate employment. The legitimacy and therefore the safety of any commercial institution is endangered when everyone comes to identify it as selfish, greedy, and willing to pursue profit at the expense of environment, worker health, and consumer satisfaction.

At bottom, the reputation of the corporation is tied to its success as a provider of jobs and a rising standard of living. If business offers too few jobs at sufficiently high wages, it will not be long before the public questions its performance still more and demands legislation that will curb corporate power. Religion promises salvation in the life to come. Corporations should distribute their rewards in the here and now. As the TV commercial puts it, you go around in life only once.

THERE APPEAR TO BE two conceivable, intelligent responses to the crisis of business legitimacy. The less likely is genuine rededication to free markets and unprotected competition. Such a course implies renunciation of government subsidies, bailouts of faltering enterprises, preferential status for domestic arms producers, and protection against more efficient foreign rivals. If corporations decide to take their own rhetoric seriously, they will ally themselves with their employees and with consumers against government controls.

Such a resolution on the part of business would be neither convenient nor inexpensive. One immediate move would be symbolic, though nonetheless painful on that account. It would be to curtail those management privileges that to the public resemble rip-offs rather than compensation for work: expense accounts; company planes used for private errands; and, more serious, salaries and benefits that reflect managerial control of compensation mechanisms rather than value contributed to the enterprise. It is difficult to convince the ordinary person, including this skeptic, that Harold Geneen or Thomas Murphy would malinger at the helm of ITT or GM if his salary and perquisites were cruelly slashed by two thirds—to a meager $300,000.

This would be a mere beginning. If corporations and individuals were truly to ally themselves against government, then corporate policies would require substantial improvement on many fronts—enforceable product warranties; truthful advertising; concern for employee health and safety and for environmental health; equity in employee relations; fair treatment of women and minorities. Precisely because corporations have neglected such responsibilities in the past, they have invited the laws, commissions, and regulations about which they now grumble.

In short, corporations that preach free markets ought to back their principles with their wallets. The American public is sufficiently sophisticated, even cynical enough, to discount sharply the protestations of affection for free enterprise mouthed by industries that trot to Washington for succor whenever more efficient foreign rivals nibble at their markets. As the bitter joke goes, our present arrangement approximates free enterprise for the poor and socialism for the rich. Presidents and Congresses bail out the Lockheeds and the Franklin National Banks. Small businesses and displaced workers must make out as best they can.

Which side is business on? In cooperation with the Business Roundtable, Commerce Secretary Juanita Kreps last October suggested publishing a social performance index that would rate individual corporations on such matters as minority hiring and sensitivity to the environment. Kreps stated that the goal of the exercise would be "to enhance business leadership in corporate social performance" and to prevent "further oppressive regulation." Corporate social performance does not come easily. Like most other human beings, our corporate tycoons would like to have it both ways—competition when convenient and government shelters when necessary. I have little confidence that American industry and finance will accompany the gospel according to Milton Friedman with appropriate works. They cost too much.

On the whole, a much more plausible response by business to its crisis of public disesteem would be the candid recognition of the unavoidable close relationship between government and private enterprise and the determination to improve the quality of that association. This could bring about democratic national economic planning. We Americans appear to be groping in a rather haphazard fashion for some way to formulate coherent national goals consistent with our political traditions. On the question of energy, the struggle between President Carter and the Congress is over how to plan a vast sector of a huge economy. Surely the realization must be dawning on all the contestants that if anything resembling the administration's energy, health, welfare, social security, tax, manpower, and employment initiatives are to become law, policies that shape large sections of the economy must somehow be harmonized.

As Leonard Silk, of *The New York Times*, has observed, "The term 'national planning' has a wide variety of meanings, ranging from the provision of more information and long-range forecasts by government to programs involving detailed allocation of resources and investment under government guidance and control." If such distinguished business leaders as Henry Ford II, J. Irwin Miller, W. Michael Blumenthal (before his translation to government service), Robert Roosa, and Felix Rohatyn have uttered words of interest in or in praise of planning, it is surely because they contemplate, to cite Silk once more, a "system that would preserve capitalism, leave the control of the means of production largely in private hands, and keep capital accumu ation and investment by corporations as driving forces of the economy—but with better coordination and long-range direction to meet national goals."

Planning is necessary for business's self-preservation because even at its best, the modern corporation gratifies only some human aspirations. Since it supplies neither religious nor political provender, the corporation loses its raison d'être when it fails materially by supplying too few jobs, too little improvement in standards of living, and too little protection against the vicissitudes of unemployment, ill health, and financial insecurity. No wonder that a dozen years of recession, inflation, and hard times in the labor market have diminished the reputation of American business.

The crisis is as much intellectual as it is material. The failure of conventional economics, either neo-Keynesian or Friedmanite, to grapple with stagflation accompanies and accentuates the institutional deficiencies of government and of business. Regrettably, the most frequent business response to

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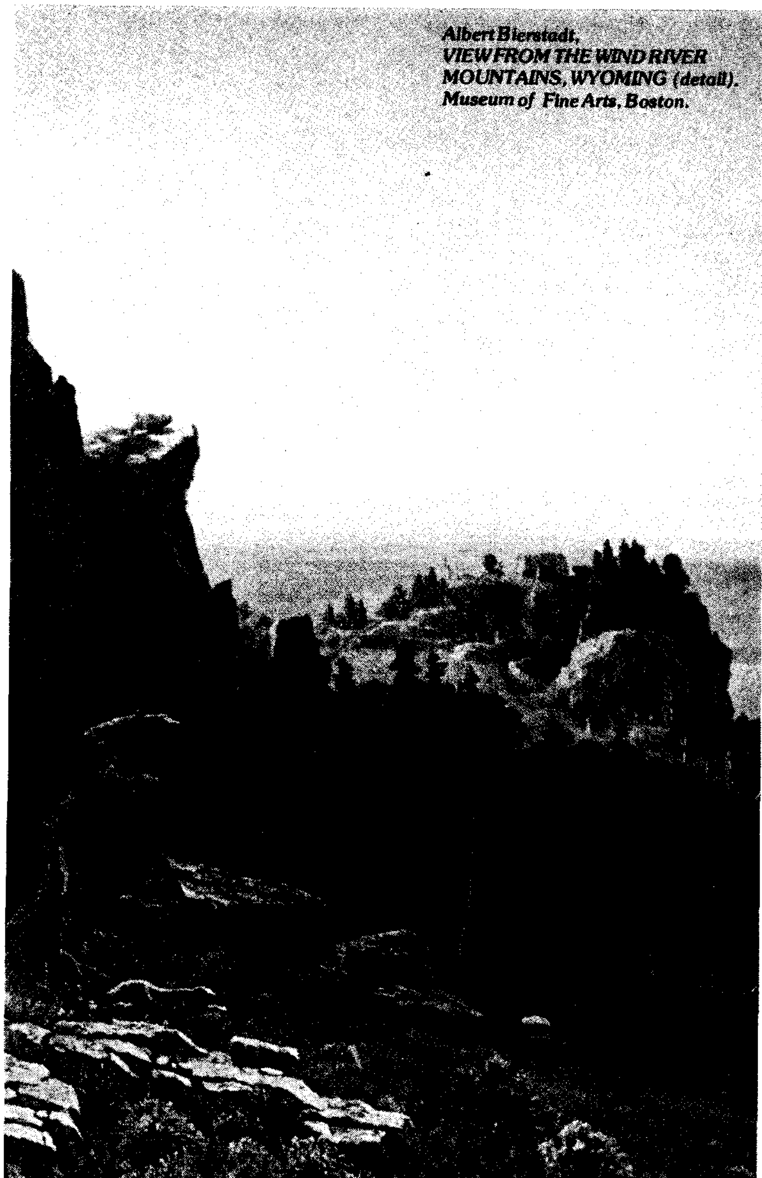

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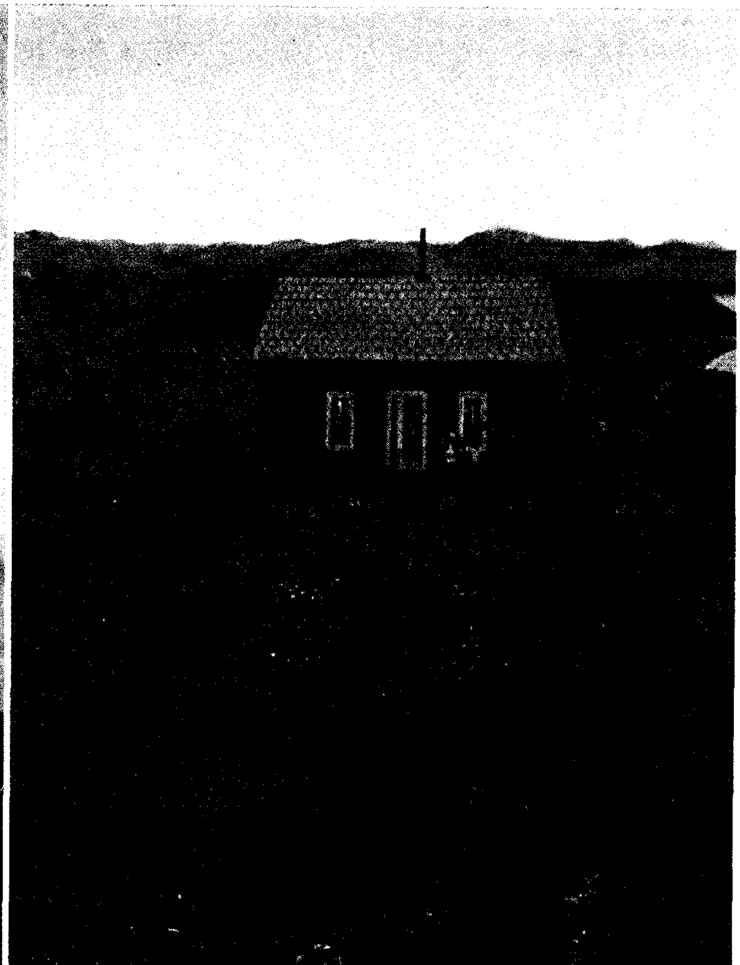
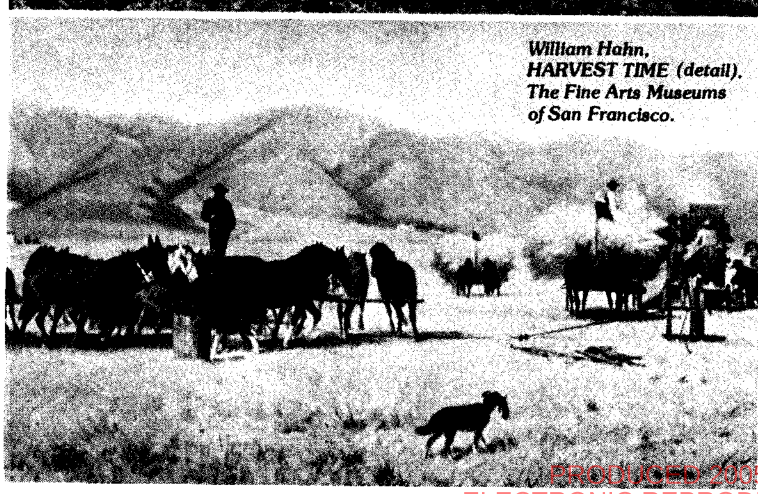
VIEW FROM THE WIND RIVER MOUNTAINS, WYOMING (detail).
Museum of Fine Arts, Boston.





William Hahn,
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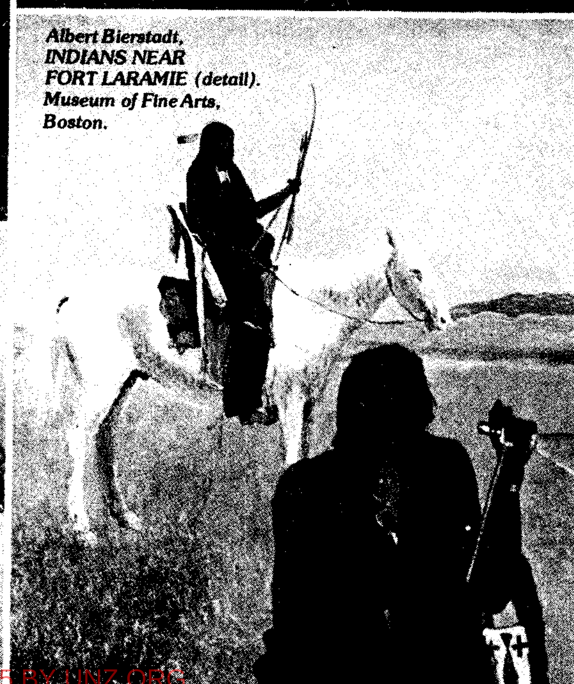

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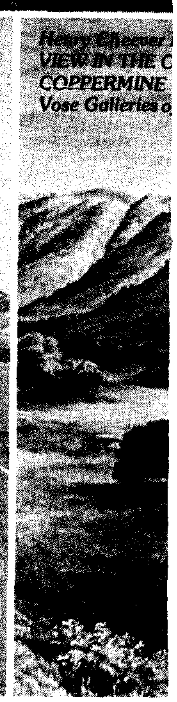

Henry Cheever
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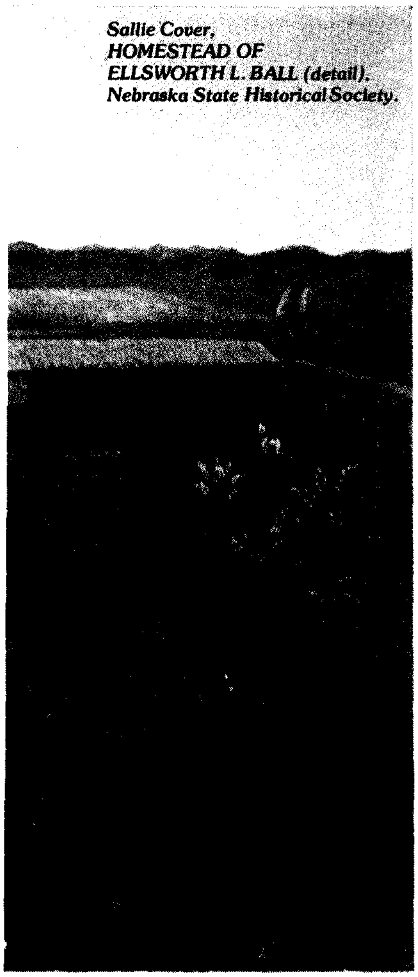
a new frontier.



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"A more plausible response by business to its crisis of public disesteem would be the candid recognition of the unavoidable close relationship between government and private enterprise."

the economic disorders of the past dozen years evokes a comparison with the calamities of the 1930s. Now as then, those who deliver the business message call for the old-time religion of free enterprise and small government.

In the 1930s, of course, mass unemployment and the utter inadequacy of conventional responses to it dominated Western politics. In Britain, Philip Snowden, who had been a socialist chancellor of the exchequer, lamented in his memoirs that none of his economic advisers had told him that he could go off the gold standard and devalue the pound. In 1930 and 1931, John Maynard Keynes, not quite yet the author of *The General Theory of Employment, Interest and Money*, was discounted as an unsound fellow who favored deficit spending, much as in our day respectable economists mutter tediously about Phillips curve trade-offs between inflation and unemployment during a period when both coexist despite conventional teaching to the contrary.

In spite of the best economic and business opinions, Keynes saved capitalism in Western Europe and the United States. In due course, Keynesian analysis of aggregate demand and the interventionist public policies required to maintain it became the new conventional wisdom of economists and even of businessmen. By 1964 *Business Week* was hailing the Kennedy-Johnson tax cut as the culmination of a successful experiment in economic management. In January 1971 Richard Nixon declared himself a Keynesian, a sign to some that Keynesian doctrine had become obsolete.

The economic crisis of the 1970s has been less calamitous than its 1930s predecessor was largely because the New Deal and its European analogues had erected social protections: unemployment compensation, food stamps, social security, Medicare, and Medicaid. These programs and the Keynesian manipulations with which they are associated have softened class conflict and promoted social harmony. In 1976 they elected the most conservative of the mainstream Democrats who ran in the primaries. Keynes and the welfare state saved capitalism.

In some ways, the 1970s challenge American business more severely than the 1930s did. For a variety of reasons, growth during the rest of this century is almost certain to be slower than it was during the two previous centuries of American independence. In the past, rapid growth ameliorated group conflict and diverted attention from divisive questions about the equity of income and wealth distributions. Now, rising energy costs, growing concern over consumer protection, and the changing terms of trade between advanced and developing nations all contribute to the probability of much slower rates of increase in both the American and the European gross national products.

This prospect of slow growth and its concomitant social problems threatens the strongest of the capitalistic system's claims: that it, and only it, is so excellent a provider of material goods that the community is well advised to suffer occasional recession and inflation as the price of material progress. A dozen more years of little progress must further erode public faith in market capitalism and in its corporate exemplars.

To date, the predominant business response has combined two arguments—denial that the world has really changed and renewed complaints about government interference. Denial of reality and desperate reiteration of outworn formulas are of course familiar neurotic symptoms. Yet, against a certain amount of historical and contemporary evidence, I preserve some confidence in the eventual ability of business opinion to follow a present enlightened minority down the route of intelligent cooperation between business and government.

To escape from its current economic disorder, the United States requires coherent national economic policies. These in turn require the identification of consistent national objectives and congressional provision of the stimuli and incentives needed to reach them. This means the sort of indicative planning familiar to the French and the Japanese. As in their countries, economic planning in the United States must reflect the existing distribution of political and economic influences. In blunt fact, those who might operate an American planning agency are far more likely to be Felix Rohatyn, W. Michael Blumenthal, or Robert Roosa than John Kenneth Galbraith, Wassily Leontieff, or Michael Harrington.

What would planning achieve that our present untidy combination of competition, monopoly, oligopoly, and ad hoc public regulation does not? At best, it would repair the image of business as a good provider by extending sensible responses to unemployment, distortions of resource allocation, and inflation. Unemployed men and women, pensioners whose stipends are eroded by inflation, and the denizens of declining cities and regions are likely to be impervious to the glories of free enterprise and rugged individualism.

This suggestion of economic planning by business and government presents a paradox for me. If anything like my prescription is generally accepted, capitalism will be preserved indefinitely—much as the "radical" Keynesians saved it in the 1930s. I am no admirer of capitalism; indeed, I am a democratic socialist. I reconcile my analysis with my preference by reminding myself that this is a highly conservative country in which the choice for some time to come will be between market capitalism chaotically administered and market capitalism intelligently planned. Even for dissenters from the civil religion of market capitalism like me, government by intelligent conservatives is to be preferred to government by their denser colleagues.

As our economic troubles persist and as conventional remedies continue to fail, I predict that businessmen will gradually come around to an enlightened sense of their own self-interest. As they do so, the country will advance to some version of democratic national economic planning in which the voice of the corporate magnate will be the loudest in the land, just as it is now.

I shall be there, faintly cheering and applauding with one hand. ◉

Robert Lekachman is Distinguished Professor of Economics, Lehman College (City University of New York), and author of, among other books, Economists at Bay.

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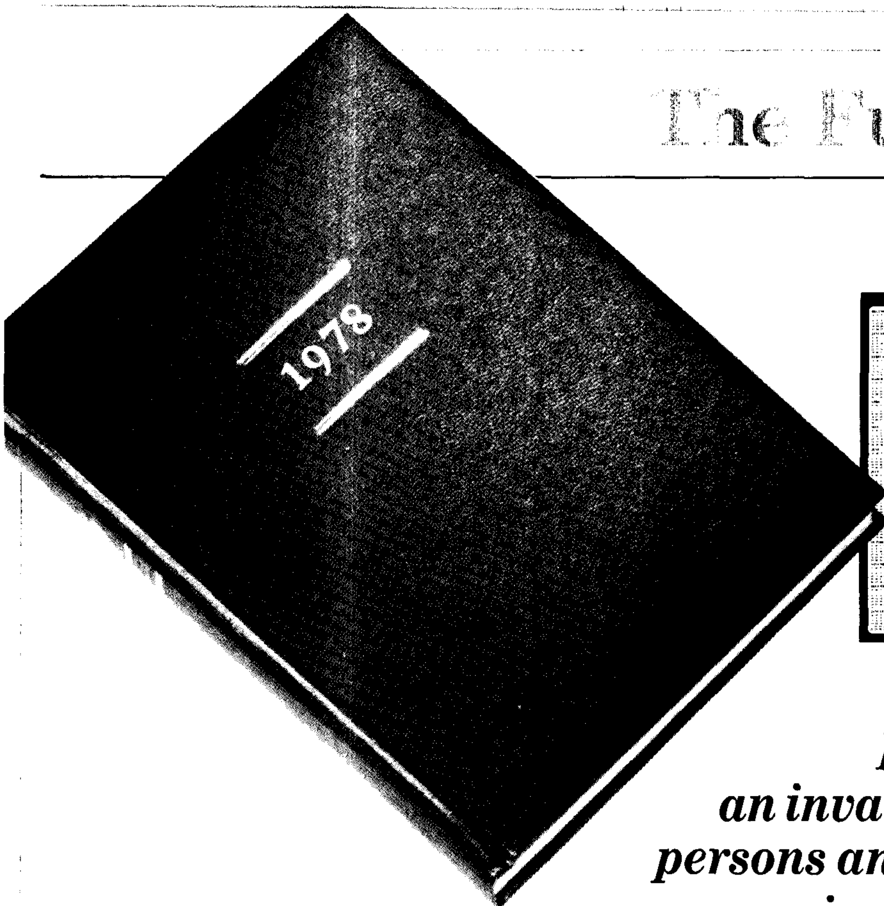

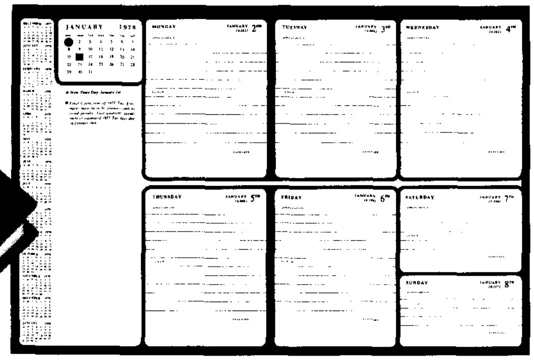

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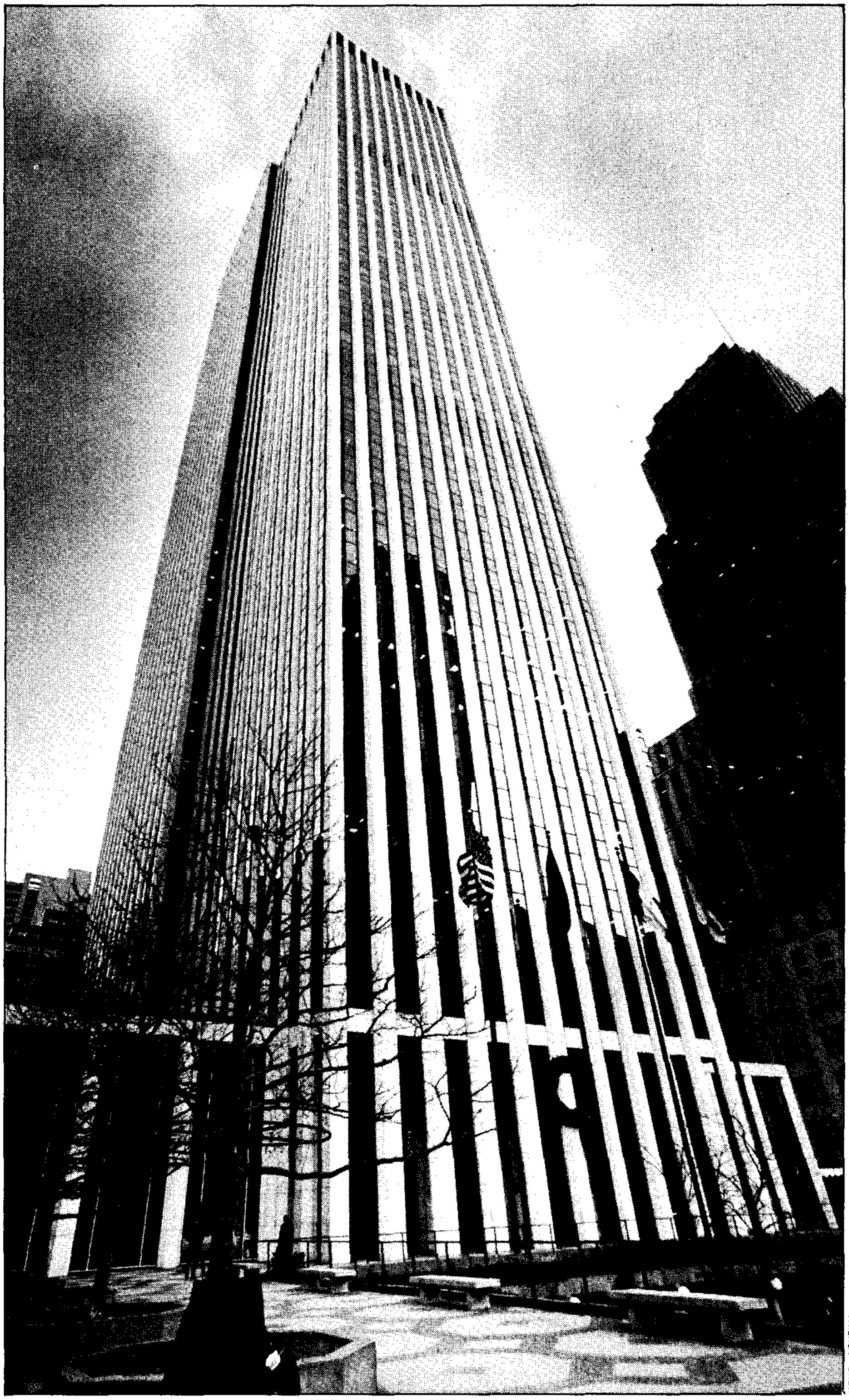
Corporate Architecture: A Study in Banality



Michael Skott

General Motors Building, in New York City—"Architecture with fins."

by Paul Goldberger

THERE IS a building at Columbia University called Uris Hall, and it does not look like the rest of that university's architecture. There is nothing Georgian about it, nor does it resemble the massive classical temple of the domed Low Library it sits behind. Uris Hall is flat and modern, a combination of limestone and metal, with an interior of fluorescent lights and terrazzo floors. It is all utterly banal, and if you ask a visitor what department Uris Hall houses, he will usually say the business school.

He will be right, of course; but what is far more interesting than the building itself is how natural the association is—a dull environment instantly suggests a business environment. That is what the architects of Uris Hall, Moore & Hutchins, seemed to be saying when they designed the building back in the Fifties; and not only does the general public seem to agree but so do corporate executives.

For corporate design and architecture in the United States are almost uniformly mediocre. Most corporate headquarters are as dreary as Uris Hall is—heavy-handed institutional buildings that could pass for hospitals or warehouses. They are buildings designed with little concern for functional innovation and with even less concern for aesthetic creativity. Some of them work well; others, less so. But whatever their degree of functional success, they almost all *look* terrible. And when they do work well, it is usually because of the ability of their architects to follow a formula, not because any new ideas have been incorporated in them.

This is an especially disturbing point, for the very corporations that proudly advertise their technological advances and management creativity seem to freeze when it comes to architectural design. No problem being daring about the marketing of a new soap or a new brand of oatmeal; but introduce a new architectural concept into the

Paul Goldberger, architecture critic of The New York Times, *is presently writing an architectural guide to Manhattan.*