

How Governments and the Media Help Corporations Get Away with Their Crimes

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“Surely by now there can be few here who still believe the purpose of government is to protect us from the destructive activities of corporations. At last most of us must understand that the opposite is true: that the primary purpose of government is to protect those who run the economy from the outrage of injured citizens.” (Derrick Jensen)

Regulatory Capture in Advanced Nations

We saw in earlier posts that corporations use a system of bribery known as lobbying to manipulate laws and corporate regulations. They work with propaganda experts to fool us, and many politicians, into believing that corporate regulation is a bad thing. They are the dominant force in writing trade rules, so they create rules that favor themselves.

There is widespread evidence that **corporations have influence over the regulators** who are supposed to enforce the laws governing those corporations. When the financial system collapsed in 2008, it became clear that the financial regulator in the UK, the FSA, was unfit for purpose.(1) Instead of seeing themselves in a policing role, they saw themselves as ‘enablers’ of corporate activity. This allowed financial companies to engage in all manner of unethical and criminal activity.

The US Environmental Protection Agency (EPA) is supposed to protect the environment, but its links to corporations are so strong that it fails to police polluting corporations effectively, and it is actively trying to weaken regulations protecting the environment.(2) Many of their scientific advisors receive funding from corporations, so their opinions are unlikely to be unbiased.

The US Food and Drug Administration (FDA) represents both the consumer, and the food and drug industries, and receives much of its funding from industry. This has been compared to the police getting their funding from the mafia. Many FDA personnel come from the pharmaceutical industry. Pressure from corporations has caused it to fail in its duty to look after the public and allow drugs that are banned in much of the rest of the advanced world. The painkiller Vioxx was known to be dangerous and caused many deaths but the FDA failed to ban it. (It was eventually withdrawn by the manufacturer due to bad publicity.) On occasions when scientists at the FDA have tried to explain to the public that something might be unsafe, they have been sacked.(3)

Even Weaker Regulation In Poor Countries

In order to have any control over powerful corporations in rich countries, complex systems of laws have to be created and regulators have to be given sufficient powers. Many of the poorest countries do not have these systems. They are therefore unable to properly control corporations operating in their territory. This lack of regulation leads to exploitation and pollution, and helps to reinforce poverty for billions of people. All over the world there are mining companies in developing countries, pouring poisonous chemicals into the water supply, contaminating soil, and poisoning the air, creating huge problems for farmers, and the health of communities more generally. Huge areas of rainforest are cut down to make way for mining, logging, cattle ranches, and crops such as soya and palm oil, creating species loss.(4) As we saw in an earlier post, these are costs that society pays for, while corporations make the profits.

There have been a few well-known examples of Western corporations causing serious problems in developing countries. One of the worst industrial disasters occurred in Bhopal, India in 1984. Poisonous gas escaped from a plant that manufactured pesticides.(5) It was run by a subsidiary of the US company, Union Carbide. Thousands of people died and tens of thousands have been injured. Poisonous chemicals still pollute the area and are likely to do so for many years to come. The most famous example of unethical behaviour by corporations in poor countries was when Nestle sold powdered-milk infant formula to mothers in Africa, claiming [untruthfully] that it was healthier than breast milk.

Coca-Cola has caused problems in many countries in the developing world. The company's bottling plants use huge quantities of water, creating water shortages for farmers. A report by the organisation 'War on Want' stated:

"Coca-cola has been dehydrating communities, contaminating water systems and polluting agricultural land through the dumping of toxic waste."(6)

This has caused widespread protests in India, leading to the closure of some of the plants.(7) Protestors in some countries have been beaten-up by police, and in Columbia, union leaders representing employees were murdered.

Blocking Real Regulation

Laws governing the behaviour of corporations when trading internationally are still evolving and remain weak, yet US and European negotiators consistently oppose stronger regulations for their corporations in other countries.(8) The biggest corporations are able to operate almost unrestricted. The United Nations did try to create a set of rules known as the UN code of conduct for transnational corporations, but gave up in 1992. It was 20 years in the planning but too many powerful corporate interests made sure it did not emerge.(9) We have learned from issues such as weapons, torture, or human rights, that many international agreements get broken repeatedly by both rich and poor countries. There is not much point in having an agreement if there is no one around to enforce it. Governments in advanced nations have little interest in reining in their corporations because the exploitation of poor countries helps make rich countries, and rich people, richer.

Governments help corporations commit crimes

It is not just a lack of desire by Western politicians to hold corporations to account. It actually goes beyond that. We saw in earlier posts that many of the crimes committed by the US and British military, such as invasions, wars, and overthrowing governments, are about controlling trade and resources. Our governments actively do terrible things to support their corporations. A good example would be the overthrow of the Guatemalan President in 1954 to help the United Fruit Company, now known as Chiquita.

Foreign governments also commit atrocities, including murder, to help British, US and other corporations maintain control of that country's resources. In return, the revenues of these corporations help to keep brutal rulers in power. The mining company, Freeport, has a huge gold mine in West Papua, which contains gold thought to be worth \$20 billion. It has displaced large numbers of local people from their homes, and polluted their land and water with poisonous chemicals. Freeport spends millions of dollars financing the Indonesian military and police, who control the island. There have been as many as 12,000 military or police personnel in the region who are only there to look after the mining company's interests. Tens of thousands of Papuans have been killed over many years.(10) Mining companies are consistently among the worst offenders when it comes to exploitation in developing countries.

The Example of Tobacco

Many advanced nations have suffered for decades with problems due to smoking. This is another excellent example of corporations making profits while society pays for the costs – in this case the poor health of a large segment of the population. It is estimated that 6 million people die of smoking each year, and many more suffer lung and heart problems.(11) This has caused immense distress, and cost healthcare systems around the world hundreds of billions of dollars.

There have been many legal cases relating to the tobacco industry, where large numbers of smokers have joined forces to sue the tobacco companies. During these cases it became clear that the companies had known for decades that nicotine was far more addictive than had been admitted. The senior personnel repeatedly lied under oath, but it eventually emerged that the companies had manipulated research data for many years to hide what they knew, and commit large scale fraud.(12)

Some rich countries have banned cigarette advertisements, and introduced other measures such as no smoking in public buildings. In the US, tobacco companies agreed to pay hundreds of billions of dollars in compensation to cover healthcare costs due to smoking. Other countries, such as Brazil, are now attempting to do the same.(13)

One might expect leaders of advanced nations to help poor countries learn from our experiences and avoid the same mistakes, but instead of helping them implement the same sort of regulations that we have here, our governments apply obvious double standards and do the opposite. They support the tobacco companies whilst they repeat their excesses of the past by encouraging millions of people in poor countries to become addicted. The cigarettes in some poor countries are more addictive because there is weaker regulation on nicotine and tar content. The US agriculture department actually provided grants to help tobacco firms promote smoking overseas. In South Korea, the rate of increase in smoking tripled in 1988 when US companies began marketing in the country. In India, Brazil and Mexico, death rates due to smoking related diseases have increased dramatically. The

companies deliberately target children, and when Taiwan tried to stop tobacco advertising to children, the US government forced them to allow it by threatening them with harsh penalties if they did not.(14)

The myth of corporate social responsibility

Every example of corporate wrongdoing is motivated by profit. If investors do not get a good enough return, they will move their money elsewhere. Directors are paid bonuses for making bigger profits. If being ethical conflicts with profit-making, profits take precedence. Big companies can make more profit if they exploit people, lie to the public, commit crimes, or engage in unethical activity more generally. It is actually rare to find a big company that is not engaged in unethical activities, that in a reasonable society would be considered a crime.

Weapons companies do not care about dictators slaughtering people; manufacturers of alcoholic drinks do not care about alcoholism; pharmaceutical companies do not care about poor people being unable to afford medicines; food companies do not care if their suppliers earn so little that they cannot survive; clothing companies do not care if their sub-contractors treat employees badly; water, electricity, gas and oil companies do not care if people die or fall ill because they cannot afford basic necessities; and mining and logging companies do not care if they destroy the homes of local populations.

The focus on profit means that the phrase 'ethical corporation' is almost a contradiction in terms. Voluntary corporate codes of conduct are more about good public relations than meaningful attempts at good conduct. They are really used to deflect criticism and persuade us that stricter regulation is not required.

Corporate social responsibility (CSR) is where corporations pretend to care about things like the environment, or human rights in other countries. Closer examination reveals that this is a smokescreen. One study found that the companies that hype CSR the most tend to be those with the worst pollution and human rights records, such as oil, mining and tobacco companies.(15) Some corporations take CSR a little more seriously, but only where it does not conflict with profit.

Manipulating Public Perception

The propaganda system surrounding corporate activity has been very successful in the last few decades. The mainstream media tends to see the world from the point of view of corporate shareholders. In general it is assumed that bigger profits are good. There is an underlying assumption that the system is a reasonable one. They have convinced us that structuring companies to selfishly and aggressively pursue profits is reasonable, despite evidence of the harm this causes to society, because the widespread harm is rarely discussed. The question "Would the world be better off without such powerful, influential corporations?" is never asked, because those with power do not want you to think such thoughts.

Sometimes there are discussions about specific examples of corporate wrongdoing - Enron's fraud in the US, Shell's involvement with murder in Nigeria, or Goldman Sachs following the 2008 financial crisis (discussed in other posts) - but these are presented as exceptions, with the implication that the system is reasonable. After the financial crisis, there was widespread discussion of the need for better financial regulation, but there was no

discussion about better regulation for other corporations. Even financial regulation has disappeared from the mainstream press more recently.

Force Corporations to Serve Society

We need to question why we have given these organisations so much power and political influence. In a reasonable society, businesses would not be able to harm people. An effective legal system would mostly stop companies breaking the law in the first place, and would close them down if they repeatedly broke the law. Executives would be properly accountable for corporate actions anywhere in the world, and would face severe jail sentences for corporate crimes. The ultimate goal would be to force corporations to serve society. Regulating them in this way is not difficult. The biggest obstacle is lack of political will in rich countries.

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Notes

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