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REVIEW ARTICLE

The Totalitarian Corporation?

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As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war. God grant that my suspicions may prove groundless. Abraham Lincoln, 1864

Introduction

Throughout its history as an institution, the corporation has been associated with tyranny of one sort or another, from the early period with the imperialist expeditions of the East India Company – virtual ruler of the Indian subcontinent – to the
vestige of monarchical privilege embodied in corporate charters in the early USA. The quotation from Lincoln above shows that the nineteenth century was witness to further denunciations of corporations and their activities from the highest positions in society. This critique re-emerged yet again in the USA during the anti-trust and ‘muckraking’ years at the turn of the twentieth century, as well as more recently with the likes of George Soros who claimed in 2000 that:

Perhaps the greatest threat to freedom and democracy in the world today comes from the formation of unholy alliances between government and business. This is not a new phenomenon. It used to be called fascism ...²

However, despite these characterisations throughout the centuries, there has been a very limited attempt to provide a rigorous and scholarly account of the totalitarian characteristics of the corporation. The link between corporate power and fascist and communist totalitarianism is well evidenced with instances throughout the twentieth century of corporate collusion, if not open alliance, with a variety of totalitarian and authoritarian regimes, e.g. I. G. Farben and IBM with Nazi Germany.³

The recent resurgent interest and growing protest against corporate influence is not confined to a concern with the domination of markets by large corporations, there is also a concern with the expansion of corporate principles and the impact of their ideological dynamics across numerous social institutions in democratic countries. Although many would not agree with John McMurtry’s assessment that the corporate sphere is a form of totalitarianism, in that we constantly encounter and experience powerful corporate representations of the world (e.g. advertising, marketing, branding) that reinforce and naturalise the corporation’s very existence and our subservient place in relation to it (e.g. consumers, insecure employees, emasculated citizens), it is a question worth considering.⁴

This view of the corporate world as a form of totalitarianism presents an interesting opportunity for a journal like Totalitarian Movements and Political Religions to explore new forms of totalitarian power that are perhaps missing in current academic research agendas and theories. Of course, the corporation is not a political movement or regime per se – the focus of totalitarian theory as originally understood by the likes of Hannah Arendt and Carl Friedrich and Zbigniew Brzezinski – but, as an institution of immense power and influence, John McMurtry and others raise the provocative question of whether it is possible for us to consider the modern corporation as totalitarian in and of itself. In order to set this within some well-established parameters identifying the characteristics of totalitarianism, this review essay will follow the well-known ideal type constructed by Friedrich and Brzezinski that highlighted six constitutive features of totalitarianism. These included an official ideology; domination by a single party, usually led by a dictator; a terroristic police force to eradicate dissent; a monopoly on the means of communication; a monopoly on violence; and state control of economic life.⁵ Arguably, these aspects can be discerned in the practices of the corporation as understood by the books in this review essay.

The Corporation as a ‘Totalitarian Institution’

At present there is a burgeoning literature on corporations coinciding with a growing popular concern about their activities evinced in the poor regard in
which corporations (and business generally) are held in public opinion surveys.\textsuperscript{6} Furthermore, the expansion of the global justice movement and its critique of economic globalisation illustrate the low esteem in which corporations are held amongst a growing proportion of the world's population.\textsuperscript{7} The popularity of other writers also shows how these ideas have spread beyond the various social justice campaigns around the world.\textsuperscript{8} Some mainstream voices have also started to ask questions not only about the position of corporations, but also about the effects of the present economic system.\textsuperscript{9}

However, despite this contemporary concern, there has been a much longer tradition in the human sciences seeking to explore and explain the practices and power structures of business and industry generally. Scholars have presented models that have since been used to identify concepts like ‘corporatism’ with fascism, and industrial society generally with totalitarianism. Further, Hannah Arendt wrote that the ‘limitless process of capital accumulation needs the political structure of so “unlimited a Power” that it can protect growing property by constantly growing more powerful’ and thereby leading to imperial expansion outside of home markets.\textsuperscript{10} Another influential writer, Herbert Marcuse, argued in \textit{One-Dimensional Man} that ‘the productive apparatus tends to become totalitarian to the extent to which it determines not only the socially needed occupations, skills, and attitudes, but also individual needs and aspirations’.\textsuperscript{11}

While Marcuse presented a bleak picture of modern industrial life, he did not directly address the corporation as either an institution or organisation and its role in this vision of totalitarian society. Instead he focused on how totalitarianism was ‘also a non-terroristic economic-technical coordination which operates through the manipulation of needs by vested interests’.\textsuperscript{12}

The conceptualisation of the corporation as a ‘totalitarian’ institution is a more recent phenomenon, present in the work of authors like Joel Bakan, Ted Nace and David Harvey reviewed here. All three authors have, in one way or another, something to add to the view that the corporation is totalitarian, as well as illustrating how the processes and practices leading to our present situation are considerably more complex than any simplistic representation of corporate malfeasance would imply (i.e. that criminal corporations are individual ‘bad apples’ and not representational of the whole system).

The books under review consist firstly of the review’s namesake \textit{The Corporation} by Joel Bakan, which presents a tightly argued analysis of the corporation as a pathological institution, and has subsequently been made into a film of the same name. The next book is \textit{Gangs of America} by Ted Nace that, although it is aimed at a general readership, does provide an illuminating history of the changing attributes of the corporation in US history and their effects on democracy. This is followed by \textit{A Brief History of Neoliberalism} by the noted geographer David Harvey, in which he expands on his previous analyses of global political economy such as \textit{The New Imperialism}.\textsuperscript{13} Although all three books have a different audience in mind, especially in terms of disciplinary focus, they are also all aimed at the popular readership as much as scholarly readers. Finally, \textit{The New Economic Sociology} reader edited by Frank Dobbin provides a useful introduction to a range of sociological theories that can be applied across and beyond these three other analyses.

\textit{The Corporation} consists of only six chapters that largely relate to corporate practices in the USA. Its central premise is that ‘the corporation is a pathological institution, a dangerous possessor of the great power it wields over people and societies’ (p. 2). Bakan’s assessment is derived from treating the corporation as an
individual, because it holds the rights of an individual (e.g. 14th Amendment rights to due process and property), and the book applies a psychological analysis to corporate actions and motivations. A significant proportion of The Corporation is devoted to dissecting the activities of corporations in light of this initial hypothesis, which is a consequence of the ‘fiduciary responsibility’ of corporations. This was enshrined in the US legal ruling in *Dodge v. Ford* (1916) that mandated the pursuit of profit above all other considerations, which can be seen as a sort of ‘official ideology’ in Friedrich and Brzezinski’s model. As Tzvetan Todorov argued in this journal, such ‘ideological’ claims are justified through their identification as ‘laws of nature’ that then entail our obedience essentially because they are natural. In this case, economics presents the effect of the ‘invisible hand’ of the market on society as a natural force.

Bakan draws on a variety of case studies as well as interviews with CEOs, activists and academics. These narratives and interviews prove an engaging way to discuss the issues, although some academic rigour is sacrificed for accessibility. The case studies Bakan uses to frame his argument present the corporation as an ‘externalising machine’, as one of the film’s interviewees puts it, in that it seeks to avoid the costs of its activities. An ‘externality’, defined by Milton Friedman, is ‘the effect of a transaction … on a third party who has not consented to or played any part in the carrying out of that transaction’ (p.61). The main example Bakan uses to flesh out this point is the 1970s cost–benefit analysis decision by General Motors (GM) to not recall a defective car model because it would cost more than compensation payments for the injuries and fatalities that the car would cause. Other examples include the use of sweatshop and child labour by corporations like Nike and Wal-Mart, and the continuous law-breaking by General Electric (GE) between 1990 and 2001 (pp.75–9). What may be considered as merely amoral behaviour on the part of one corporation, when applied across the corporate world, illustrates an endemic anti-social rationale that systematically inflicts injury, despite providing many benefits.

It is the institutionalisation and naturalisation of corporate agendas in different governance structures that most clearly illustrate what can be seen as totalitarian features of the corporation. One example Bakan provides is the embedding of profit above other concerns in modern international organisations like the World Trade Organisation (WTO), creating an environment in which ethical production practices are inadmissible standards to which corporations have to adhere, whether or not such practices are endorsed by democratic decision-making processes. Arguably, in this case we can see the core ideology of the corporation being privileged over democratically expressed will. According to Bakan, alongside this growing institutionalisation of corporate agendas, there is an expectation on the part of the corporation for a role in ‘governing society’, without a respective role for ‘society’ in governing corporate activities (p.108). Thus he shows how corporate control has expanded to enclose previously public institutions, including the commodification of schools and family life, as well as the privatisation of public spaces. Since corporations now seek to sway government decisions through organised associations such as business roundtables, alongside the financing of political parties, they could be seen as political players who mediate their will through influencing dominant political parties and by setting global economic agendas. Given the level of advancement to which Bakan argues such processes have reached, arguably this can be seen to fulfil another of the criteria for ‘totalitarianism’ – a single mass party encompassing a trans-national elite.
In *Gangs of America*, Ted Nace is more concerned with the historical origins of corporate power in concrete legal and social decisions, particularly those that have contributed to the assignment of constitutional rights to corporations. As do several other histories of the corporation, Nace concentrates on several key changes in the nineteenth century, for example, the move to limited liability and particularly the 1886 US Supreme Court ‘decision’ in *Santa Clara County v. Southern Pacific Railway* that ‘recognised’ corporations as natural persons under the US constitution. Nace explores the ambiguity around this ruling, including the interpretation that the decision was not a specific ruling on the ‘personhood’ of the corporation at all since the court did not hear any arguments relating to such claims. Instead, the record shows that Chief Justice Waite said: ‘The Court did not wish to hear argument on the question of whether the provision in the Fourteenth Amendment to the Constitution, ... applies to these corporations. We are all of the opinion that it does’ (p.13).

Although a slightly longer book than *The Corporation*, *Gangs* is written with a wider audience in mind and therefore is an easier read, if sometimes overly autobiographical in the early chapters where the author describes his experiences founding and running a company. Nevertheless, *Gangs* provides a clear and concise, if broad, examination of the major US legal and political decisions from the nineteenth century onwards that have led to the current power of corporations. He starts with a brief history of the corporate form, arguing that it originated in the guilds of medieval Europe and subsequent trading companies like the Merchant Adventurers, East India Company and Virginia Company. The reason for this background material is to show the distrust in which newly independent US citizens and leaders held corporations. The next chapters detail the powers that corporations gained throughout the 1800s as well as some of the major figures involved in these decisions. Throughout this period, and for some time afterwards, corporations sought to curtail the expansion of the labour movement through repressive means as well as legal rulings. For example, corporations received numerous favourable decisions against both strikes and boycotts. As such corporate control spreads across all facets of economic life and, as has also been described as a characteristic feature of totalitarianism, dominated the economic activities of businesses, workers and consumers.

Nace largely skips the middle of the twentieth century in *Gangs*, moving to a discussion of the impact of corporations and the ‘revolt of the bosses’ on US democracy since the 1970s, a period also examined by David Harvey in his history of neoliberalism. However, Nace primarily concentrates on the co-ordination of corporations and corporate leaders through the formation of organisations like the Business Roundtable (established in 1972) and the expansion of corporate-funded think tanks, all of which try to influence both policy and public opinion. In particular, Nace again deals with the concrete changes in law that led to the acquisition of 1st Amendment rights to free speech for corporations, which effectively enables US corporations to dominate mass communication as a result of their massive spending power – corporate domination, arguably, again chiming with another of Friedrich and Brzezinski’s aspects of totalitarianism. Although Nace has written a very accessible introduction to the corporation, mainly in the US context, he does so with a limited theoretical framework and little analytical discussion. There are obvious reasons for this (i.e. his targetted audience), but it does mean that to explore some of these issues further readers would be advised to consider more scholarly books as well. There is a burgeoning academic literature in this area, in
particular the enlightening cross-section of work in the volume *The New Economic Sociology* by Frank Dobbin. Several of the chapters in this reader provide an illuminating analysis, such as those by Neil Fligstein and William Roy. The former explores the ‘conceptions of control’ of managers representing ‘totalizing worldviews that cause actors to interpret every situation from a given perspective’ (p.414), including their own success. The latter chapter shows how this ‘totalizing worldview’ led to the separation of the private and public spheres.\(^{24}\) Despite failing to provide more detailed analyses of these issues, *Gangs* presents an interesting and engaging history of corporate change over the last few centuries worth reading by anyone interested in the topic, particularly because there are so few concise books dealing with this broad subject.\(^{25}\)

In *A Brief History of Neoliberalism* David Harvey, in his characteristic fashion, presents an eviscerating critique of the ethic of neoliberalism as it has expanded since the 1970s; i.e. that market exchange is the ultimate guiding value for human action (p.3). Harvey starts by outlining the now ironic assumption in neoliberal ideology – derived from a mixture of political and economic theories forwarded by the likes of Hayek and Friedman in response to the totalitarianism of German Nazism, Italian Fascism and Soviet socialism – that free markets are the only guarantors of individual freedoms. Harvey argues that neoliberal policies, wedded to the expansion of corporate and class power, were a reaction to the threats presented to the wealth and income of economic elites by the rising inflation and falling interest rates that occurred during the 1970s (pp.14–15). The costs to workers of high unemployment and stagnant wages was considered a necessary – and entirely reasonable – price to pay to restore levels of income and wealth concentration, the likes of which had not seen since earlier periods of ‘liberalised’ markets at the turn of the twentieth century. These policies were necessarily global in dimension because processes of capital accumulation were only ensured through uneven development. As such, Harvey presents a useful contrast to the previous books under review by exploring the expansion of corporations and the ‘neoliberal state’ around the world, as well as examining the USA and Europe, a range that both Bakan and Nace fail to match.

Again *Brief History* is a short book, although it has a wider, more global view of the processes of corporate and neoliberal expansion through which, Harvey argues, neoliberalism reproduces itself because the adoption of neoliberal policies by some states puts an insurmountable pressure on competing states to adopt similar policies despite the potentially negative impact this may have on indigenous populations (p.87). Another aspect of the geographical interdependence of neoliberalism and corporate power is the organisation of international institutions (e.g. IMF, World Bank, WTO) that, according to Harvey both here and in *The New Imperialism*, act as mechanisms for developed countries to extract ‘tribute’ from developing countries (pp.93, 103). Significantly, he also dedicates a whole chapter to China. This is another indication of China’s rising importance as a global economic power, although one that is admittedly tied to the performance of the US economy, and yet again illustrates the linkages forged between corporations and authoritarian regimes. Throughout these discussions, and despite the crucial role played by corporations in pressuring governments to adopt certain policies, Harvey is keen to stress the continuing importance of democratic and authoritarian states in the promotion of neoliberalism globally. This has been seen recently, especially in militaristic terms, with the imposition of neoliberal policies in Iraq (i.e. flat rate of income tax, privatisation of public enterprises, elimination
of trade barriers), and the perpetuation of the military–industrial complex exemplified in the dual expansion of neoconservative ideology and the US military budget. Thus he argues that the ‘state, with its monopoly of violence and definitions of legality, plays a crucial role in both backing and promoting these processes [of neoliberalism]’ (p.159).

Whilst focusing on the process of globalising corporate rule worldwide, embodied in neoliberal policies promoted, enacted and supported by national governments, Harvey also briefly touches on the domestic side of this coercion. Quoting Alan Budd, one of Thatcher’s economic advisers, he sums up the recurring targeting of the working classes by neoliberal figures. Budd unashamedly claimed ‘the 1980s policies of attacking inflation by squeezing the economy and public spending were a cover to bash the workers’ (p.59). More generally, the need to create a good business environment entails an element of social control to curtail the activities of groups like trade unions, which, according to Harvey, means that the ‘coercive arm of the state is augmented to protect corporate interest and, if necessary, to repress dissent’ (p.77). As an indication of this aspect of neoliberal policies, Harvey cites the expansion of surveillance, policing and incarceration, which, as others have argued, illustrates the neoliberal dependence on a two-pronged approach that deregulates private wealth whilst simultaneously regulating public behaviour. Thus where people are unable or unwilling to participate in the consumerist logic of increasingly privatised and ‘sanitised’ space, they are subject to greater surveillance and discipline to curb behaviour that disturbs the consumption habits of ‘respectable’ citizens. Another issue Harvey considers, less successfully it must be said, is the changing debate around human rights and responsibilities. Despite his understandably limited, although unfortunately perfunctory, treatment of the subject, this is a topic that is increasingly evident in the UK with the promotion of the Prime Minister’s ‘respect’ agenda and legislative programme, especially identity cards. Although he does touch on these issues, and in so doing implies a great deal, Harvey does not do enough to illustrate how the corporation, wedded to neoliberal state policies, leads to a ‘system of terror’ identified by Friedrich and Brzezinski that seeks to eradicate dissent through coercive measures.

Suggestions for Wider Research

Like political regimes, corporations do not spring unintended into the world, nor do markets arise spontaneously from the notional assumption that people naturally truck and barter. Rather there is a vast array of work in the human sciences, both inside and outside of the discipline of economics, illustrating the social embeddedness of economic exchange, from Karl Polanyi’s classic on the origins of nineteenth century liberalism through to more recent understandings of corporations and their development. A number of very worthy historical and sociological studies have been produced on the corporation over the last few years, revealing the rigour of the work in this area at present. For example, in a fascinating chapter in an otherwise patchy collection, Colleen Dunlavy provides an account of the shift in shareholder voting rights during the nineteenth century from a ‘democratic’ basis (i.e. one person, one vote) to a ‘plutocratic’ one (i.e. one share, one vote). Again, the work in the reader by Frank Dobbin provides a useful introduction to the field of economic sociology, covering several classics by Karl Marx, Max Weber and Emile Durkheim, as well a more recent work. In these
perspectives the corporation is not, in and of itself, a totalitarian institution with the accompanying six features of totalitarianism, but rather a totalising institution that has achieved various levels of social dominance through its alliance with state power, i.e. neoliberalism. It is what Sheldon Wolin has termed ‘inverted totalitarianism’ in which corporations shape policy, rather than being subordinate to a particular political regime.31

Such arguments, theories and concerns present a number of intriguing topics in the study of totalitarian movements because they necessitate a reconceptualisation of the ideal type to be able to explore the relationship between totalitarian tendencies and corporate practices in new economic realities created through globalisation. This is not to assume that corporations are totalitarian, at least in this classic sense, but rather that they exhibit a number of worrying totalising tendencies that draw surrounding institutions into their sphere of influence through the privatisation and commodification of the social world. For a journal like Totalitarian Movements and Political Religions, committed as it is to comparative and interdisciplinary work alongside the development of new concepts which facilitate this process, the link between corporate power and totalitarian theory could represent a new avenue of research. A couple of preliminary interests could include issues around the technologies of totalitarianism that avoid the apparent technological determinism of Friedrich and Brzezinski’s model, or the performativity of market actors as they construct economic systems that produce self-fulfilling prophecies. There are, of course, numerous other agendas that could be pursued, drawing in a long history of corporations and business, as well as their positioning in relation to the state, as the excellent chapter by Bruce Carruthers in The New Economic Sociology illustrates. Maybe the ultimate question we have to ask ourselves is whether a choice proffered by another, a corporation for example, merely mediates our ability to make our society as we wish it to be, or whether it constrains us to the choice on offer.

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Notes


12. Ibid., p.3.


20. According to Bruce Carruthers, these early colonial companies provided Britain with the means to dominate other European countries at the time because of the benefit the British state acquired from low-interest, long-term loans; a forerunner to modern day monetary policy. Bruce Carruthers, *City of Capital* (Princeton, NJ: Princeton University Press, 1999).


22. For a less academic account of changing corporate persuasion tactics see Martin Howard, *We Know What you Want: How they Change your Mind* (New York: Disinformation, 2005).


30. Colleen Dunnlay, “From Citizens to Plutocrats: Nineteenth-century Shareholder Voting Rights and Theories of the Corporation”, in Lipartito and Sicilia (eds), *Constructing Corporate America*.