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**Article**

## Wall Street vs main street: Impact of corporations on our lives

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## VOICE OF EDITORS

### “Wall Street Vs Main Street”: Impact of Corporations on Our Lives

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So many books have been written on corporations but no one seriously thought about the impact on the poor, that is why the seriousness of the issue kept on growing, but the most alarming situation is, business schools and the institutes instead of realizing this issue, they are portraying the corporations as the country saviour (Madeley, 1999). Capitalism bullies and widens the inequality between rich and poor. According to OECD in the period 2007–2010, the gap between rich and poor widened longer than the 12 years that have been preceded (Fraczek, 2013). In 33 countries covered by OECD, 10 percent of the wealthiest residents acquire income 9.5 times more than the poorest in 2010, compared with 9 times in 2007. The biggest differences between wealthy and poor citizens appeared in U.S., Turkey, Mexico and Chile. Countries with the smaller comparative deviations are Iceland, Norway, Denmark and Slovenia. Of course, OECD analysts point out that after taxes and social transfers, levels of income inequality and relative poverty in OECD countries was only slightly higher in 2010 as compared to

2007 (OECD, 2011). Data set from 1965 to onward explains that the wealth gap is constantly getting wider and wider between the developed and poor nations (Parente and Prescott, 1993).

However, many countries now focus on lowering deficit and debt, so OECD warns that "increased risk" of inequality and poverty to be increased. "These alarming findings underscore the need of the protection of the most vulnerable in society protection, especially as governments seek the necessary control of public spending," said OECD Secretary General, Angel Curria (<http://www.oecd.org>). In the last 13 years have been noticed the fastest reduction of poverty in the history of humanity, however, half a billion people still live below the absolute poverty, on less than 1.25 \$ per day. The accumulation of wealth in a "handful" of people also attest investigation carried out by Boston Consulting Group, according to which 39 percent of the world's wealth is in the "hands" of the richest 1 percent of the people (<http://www.bcg.com>).

As has been revealed by the survey, the richest 1 percent possesses 52.8 percent wealth in trillion Euros. In the meantime, the total wealth of the world is recording an increase of 7,8 percent in 2012, supported in 135 trillion dollars. Also, the number of millionaires is growing rapidly and only in 2012 was raised in 10 percent. However, as is pointed out by the investigation the

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accumulation of wealth in the hands of the "few" is expected to swell as the wealth growth of the rich is greater than the growth rate of global wealth (Economist, 2013; Korten, 2001). Income inequalities have increased internationally in space 1980 – 2008 regardless of the economic growth experienced in some countries, according to the OECD study (OECD, 2011).

The conclusions of this study refute the view that the economic growth benefits spread automatically and to non-preferential. More specifically reveals that the richest 10 percent of the population wins 9 times more than the poorest 10 percent. Inequalities remain higher in development economies outside of OECD, with typical case of Brazil where the income disparity between rich and poor is 50 to 1. OECD considers as main causes of inequality the big differences in salaries, the increased part-time work, the reducing social benefits, but also reduce tax rates on high incomes. The social contract has been reversed in many countries. Without comprehensive development policy inequalities will still magnified, "noted the Secretary General of the OECD at the presentation of the study and called governments to take immediate action (OECD, 2011). Capitalism as the dominant system of economic organization is in crisis. The capitalist system through the process of creative destruction (Schumpeter, 1975) assumed that rewards efficient and innovative, punishing non-productive, leading to progress and development.

The question after it's completely prevalence is how many are lost and how many winners. Vulnerabilities in the current capitalist system

(Crouch, 2005; Gilpin, 2011; Hall and Soskice, 2001), are experiencing on a daily basis. Economic inequality, poverty, strengthening of multinational corporations, exclusion of the working classes, wealth concentration, and financial crisis are some symptoms. The unchecked action of financial institutions and investment vehicles leaves the system defenceless in speculations which consumers are called to pay everywhere. Alan Greenspan statement (for decade's USA central banker) that "hedge funds are essentially unchecked and hope to remain so the imposition of a very expensive coating arrangements will only be able to drown the excitement of profit pursuit in areas that otherwise would have been remained unexploited" creates questioning (Greenspan, 2007). Greenspan and the American FED are not blameless for many small or large financial crises (Fleckenstein and Sheehan, 2008). More specifically, the US central bank seems according to its policy to be used in creating or in maintaining financial bubbles which have resulted in losses of billions of dollars (Citigroup, 2008). More than anything else capitalism is being criticized for income inequality and the concentration of wealth in few. According to the data of the US Congress Budget Committee from 2003 to 2005 the incomes increased of affluent Americans who correspond to 1 percent of the inhabitant population, exceeded the total income of the poorest population represents 20 percent of residents. Also, was posted that in 2005 the wealthiest 10 percent of Americans saw its income growing at the greater rate than 928 (The New York Times, December 15, 2007).

With the development of industries concerning services and high technical expertise and with the spread of internet economy, corporations providing services and technology play an increasingly important role in the international market. Large corporations still hold the largest share of international investment and there is a tendency for high-scale international mergers. At the same time, have been increased the international investment of small and medium corporations which play an important role on the international scene. Multinational corporations, like their national counterparts, now include many different types of business arrangements and organizational structures. Strategic alliances and closer relations with suppliers and contractors tend to make less distinct corporations limits. The rapid evolution in the structure of multinational corporations is also reflected in their activities in the developing world, where foreign direct investment has grown rapidly. In the developing countries, multinational corporations have diversified their activities and have been expanded beyond primary production and extractive industries, in manufacturing, assembling, development of the internal market and services. Another important fact is the emergence of multinational corporations in developing countries as major international investors.

Google, Facebook, Nestle, Coca-Cola, General Motors etc. are dominating economies and life on the planet earth. Globalisation has created – as also was the purpose – new superpowers, multinational corporations that impose their legislation against naive or

complicity governments. "What's good for General Motors is good for America," said in 1953 Charles Wilson, CEO of the automaker. During this period and in 1970s, "the multinational had been designed as a power instrument in the country of origin", said economist Frederique Sachwald. Nobody has yet been invented a more modern term to describe these finance giants, industry and services which in the years 1980 and 1990, became the spearhead of the global economy. Since then, the things have been changed dramatically. These firms have become major powers. Since 2000, from the 100 largest economies, 55 were multinational corporations, according to the United Nations Conference on Trade and Development (UNCTAD). Today, the stock value of the number one, of Exxon Mobil, is in the class between the GDP of Austria and Belgium. These giants with international economic presence have gained inordinate power on our daily lives. They are the ones that dictate the movements and the corresponding values of capital and labour. They influence our food and breath. With the advent of digital technology, they manage all our personal data, our information and our access to social networks and cultural projects.

Amid political, economic and social protests started from Wall Street, the Arab world and Europe and amid economic crisis that has centred Euro zone and is extended to the rest of the planet, Switzerland Federal Institute of Technology published an analysis of the relationships between 43,000 transnational corporations. In this study is identified a small group consisting mostly of banks, which seems

to have the "hands" of the global economy power.

The team of Zurich isolated from 37 million corporations 43,060 multinational corporations and their shareholders between them. Then constructed a model which shows how some companies control others through their shares hold by them and the operating income of each, in order to map the structure of economic power. The study combined known mathematical models with spherical corporate data in order to map who owns the big multinational corporations, something which until now was almost impossible. So, according to the study, there are 1,318 corporations with interlocking ownerships. Each of these 1,318 companies has links with two or three other companies, and on average is linked to 20 more. Moreover, even they represent 20 percent of global operating revenues, these 1,318 appear to possess a whole through their shares the majority of top-kind corporations and industries, representing additional 60 percent of global revenues. So, with further analysis is showing that at the top of the "pyramid" are only 147 corporations which are even more connected to each other. "In fact, less than 1 percent of corporations were able to control 40 percent of the overall network," says James Glatfelter, of the Swiss Institute. Most top companies in this race are financial institutions, while at the top 20 are the Barclays Bank, the JPMorgan Chase and Co, the UBS AG, AXA and groups like Vanguard.

As was expected the conclusions of the analysis have received significant criticism, but group analysts of the magazine «New Scientist», states that is a unique effort to be untangled the

thread of control over the global economy, while they could be found and ways to be more stable the global capitalism.

The modern planet is ruled by multinational corporations that are governed by an ideology that believes that sole motive of companies is their own profit.

Companies seek to maximize the return on capital by leveraging productivity and paying the least possible amount for taxes and labour. Corporate obedience–subordination is a prerequisite for executives, directors and shareholders. The dominant corporate perspective is short term, the current financial quarter and the dominant corporate ethic is greed, in order to carry out what is necessary in order the corporation to maximize its profit, in any way and at any cost. Global corporations are too big. We live in the age of corporate dinosaurs.

It is true that from Reagan era global multinational corporations have followed the path of the least resistance to profit. They have swallowed their competitors and have created monopolies, which have created a giant bureaucracy, controlling in the same time everything. In short term, scale helps corporations to grow profitable, but over time, making them inflexible and difficult to be managed by their leadership. The dinosaur gigantism (another –ism) creates a culture where employees are encouraged to take huge risks in order for the company to generate higher profits. This perception is based on the assumption that the company is «too big to fail» [theory asserts that certain financial institutions are so large and

so interconnected that their failure would be disastrous to the economy, and they therefore must be supported by government when they face difficulty], and this is just the "Achilles heel" of them.

Global corporations show a disregard for civil society. They have created a culture of organizational narcissism, where have been cultivated the allegiance of workers in the corporation. Workers live in a bubble, working for a long hours throughout the year in order later to enjoy their vacation with their colleagues. Multinationals develop their own code of ethics and a worldview different – unique from that of any nation state in which they are situated and operate. The corporate executives do not care about the success or failure of any particular country, but only for the growth and profitability of the global corporation.

Global corporations operate "outside" of law. There is no invisible hand that regulates multinationals and while wealthy individuals and corporations were motivated by an apparent selfishness in reality an "invisible hand" working behind the scene in order to ensure that multinational activities supposedly "avail society." In modern times this concept became the basis for the statements of Chicago School (Finance) namely that markets are inherently self-regulating. However, the financial crisis means for markets and consequently citizens problems. The "recovery" of 2009–10 ensured that the «too big to fail», institutions will survive and the rich will still be rich. Meanwhile, millions of good jobs are eliminated or replaced by low – paying jobs with low or no benefits.

Global corporations are destroying the natural capital. Four of the top 10 multinational corporations are energy companies. Multinational corporations have faced the environment as a free and inexhaustible resource. When forests (timberlands) of North America began to be depleted, the timber companies moved to South America and Asia. Now, the "easy prey" has finished. The global corporations have angered the world community. Global GDP is \$63 trillion, but multinational corporations gather a disproportionate share, which amounts to about \$4 trillion (bank assets are \$100 trillion). The only sure thing is the anger and rage of all economically weak against the multinationals and the bubble of a "good life slaves" who have created, but against the governments that support them. But anger never achieved anything in the history of the humanity but only disasters and changing a repressive regime with another repressive regime, without any significant change for the good and for the human. A part of the society feels underprivileged by the way of capitalism gains are allocated (Greenspan, 2007; Hobsbawm, 2007). The role of redistribution dies as exemplified by the American Congress, In 1963, this institution vote six of the seven bills related to the fight against inequality. In 1979 passed four of the seven and in 1991 two of the seven (Reich, 2007: 166).

It should be understood that the concentration of wealth, economic inequality, extremist freedom of economic agents are not failures of the capitalist system but of democracy. "The role of capitalism is to inflate the economic pie. How they will share the tracks is something

decided by the society. This is the role we assign to democracy” (Reich, 2007: 4)

The capitalist system in recent decades is unchecked. As a result has been created a series of imbalances and inequalities. It is also true that technological and economic forces are the ones who shape the policies and interests of the state, but the states are the ones that enforce the rules that must be followed by corporations (Gilpin, 2011). Solution recommends state redistributive policies. The percentage of the population living below the poverty line in the U.S. reaches to 17 percent. However these policies, implemented by the state was limited hence the rate of poverty reduction to decrease only 25 percent. In Sweden, the proportion of the poor population reaches 6.4 percent, because the redistributive role of the state and its policies reduced poverty to 78 percent (Glyn, 2007). In any case, the problems of modern capitalism can be solved only if there is a political direction and willingness to promote democratic institutions (Gilpin, 2000). Suggestions for eliminating inequalities have also been many in the past. But unfortunately these were main wishful thoughts. Democracy and its institutions must again function to protect human.

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