Corporate Parasitology 101  
*Can corporations and democracy coexist?*
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Corporate Parasitology is a branch of sociobiology which investigates how a seemingly innocuous organism like a corporation can screw up a free and well-intentioned society.

**Introduction**

We wish to control big business so as to secure among other things good wages for the wage-workers and reasonable prices for the consumers. Wherever in any business the prosperity of the businessman is obtained by lowering the wages of his workmen and charging an excessive price to the consumers we wish to interfere and stop such practices. We will not submit to that kind of prosperity any more than we will submit to prosperity obtained by swindling investors or getting unfair advantages over business rivals.

T. Roosevelt, 1912

The problem with the American economics and political system can be traced to the virtually unfettered influence of corporations over our economy and democracy. This simple truth runs contrary to the corporate propaganda accepted by many voters that our woes result from an oversized and overregulating government. This essay takes the view, that some, though not all, corporations function as parasites feasting off the body public and undermining our democracy, the quality of our lives and our environment.

Identifying the government as the problem leads to pseudo solutions like downsizing the government, deregulation, privatization and austerity programs which only make the problem worse. Chomsky (2013) concluded that in order to achieve less government, it is first necessary to have big government to control the runaway corporatism in this country, after which one could downsize the government to work toward a true anarchism.

Our basic tenet is that the private corporation is not evil, but a social institution with specific properties with both negative and positive consequences that follow from these properties. Thus, if we wish to accept the positive consequences, we need, as Theodore Roosevelt suggests, to curtail the negative consequences of these corporations, including their parasitic tendency.

**The corporate-government complex**

Eisenhower warned us of these parasitic activities and what he called the “military-industrial complex,” or as Higgs (1995) put it, “the military–industrial–congressional complex.” This complex consists of a strong symbiotic relationship between the military, military contractors, and government in such a way that all three of these entities benefit at the expense of the host, which is the general public. In order to increase their profits, military contractors pressure lobby congress for bigger and better weapons using huge campaign contributions. Congressional members not only oblige corporate interest, they use the “donations” to mount election campaigns that crowd out more responsible candidates. The military benefits by getting state-of-the-art weapons and soldiers benefit by being taking highly lucrative jobs with military contractors upon retirement. The general public loses because it has pay for all the unnecessary weaponry. From within the military-industrial-congressional complex, the relationship is clearly symbiotic, but this complex is parasitic with respect to the citizenry of our country.

Hossein-Zadeh (2007) uses the term “Parasitic Imperialism” to describe the use of “militarism” by war contractors to redistribute the wealth. Although Hossein-Zadeh says little about how this is accomplished, he does address the consequences of this over commitment to the production of weaponry which not only robs our lower and middle class citizens of income but of basic public services (education, health care) and undermines our democracy with a preoccupation of terrorism and security.

While the workings of this complex have been well documented, the scope this problem is much broader, for there are other types of parasitic corporations that provide prisons, parking, schools, and even water and that influence and corrupt our government in order to gain benefits at the expense of the people, and for this reason we simply speak of the “corporate-government complex.”

The belief that this practice is beneficial is known as corporatism which bears a strong resemblance to fascism.

The structure of fascism is the union, marriage, merger or fusion of corporate economic power with governmental power. Failing to understand fascism, as the consolidation of corporate economic and governmental power in the hands of a few, is to completely misunderstand what fascism is. It is the consolidation of this power that produces the demagogues and regimes we understand as fascist ones. David G. Mills (2004).

Because of historical association to Hitler and Mussolini with its dictatorial government and anti-Semitism, the term fascism, unlike corporatism, casts too narrow a sense for a practice which also encompasses democracies and other forms of scapegoatism and misdirects our attention from the problem which is, in Mills words, “It’s the Corporate State, Stupid!”

**The corporation**

A business enterprise makes money by selling a product or a service and we expect that such an enterprise will make a fair profit from this activity. With the exception of small businesses, the corporation is the institution by which economic enterprises are organized. Although many corporations are owned by one or more individuals, most major corporations are “publicly” owned in the odd sense that the general public is free to buy shares in the corporation. But without a lot of shares, a shareholder cannot really influence the operation of the corporation; in fact, the shareholder’s main interest is in the profits a corporation generates.

The management of a public corporation works to serve the interests of the shareholders, which largely means by providing shareholders with the highest possible return on their investment. Not to do so, such as giving some of its profits to...
charity, would be seen as fiduciary irresponsibility. Maximizing profit is simply an institutional function; it has nothing to do with morality. And while individuals acting in management positions may be moral beings, their responsibility in this institutional setting is not moral but profit maximization and this is why it makes no sense to speak of “corporate greed” or to say that corporations are persons.

If we are to understand what is going on in today’s world, we need to shift our focus away from greedy individuals, which of course exist, to the social institution known as the corporation. To be sure corporations are run by individuals, but the institutional demands of the corporation are such that what individuals want or think are irrelevant to the workings of the corporation. This institutional framework controls individuals so strongly that it takes tremendous moral courage to resist the unethical and illegal practices of the corporation when they arise.

Maximizing profits involves both legal, questionable and flat-out illegal means including tax-dodging, wage theft, collusion, price fixing, bribing and polluting via toxic waste dumping. Furthermore, profit-maximizing strategies are inevitably short termed with long-term consequences lying completely outside the corporate field of vision.

Regulations are intended to prevent such dangerous practices and to protect the public. For example, prohibiting companies from dumping toxic waste into rivers not only protects the health of the general public, but also eliminates the need for costly clean up at public expense.

Nonprofits

Between governmental and corporate institutions, lies a third sector consisting of a variety of nonprofit organizations. For example, we have quasigovernmental organizations such as the USPS, NPR, and Amtrack which are overseen by the federal government but which are to some extent self-supporting using user fees and donations. There are also nonprofit organizations which are fully independent of the government but which provide public services. These include many hospitals, “private” colleges, credit unions, and electric and food cooperatives. While these nonprofits are capable of influencing public decision making, they generally do not wield the degree of influence that the for-profit corporations do.

Buying Influence

Unpressured lobbying, used by ordinary citizens, is an important part of the democratic process. We as citizens should lobby our representatives to act in our own best interests. Corporations, however, are more effective than ordinary citizens because they can pressure their lobbying by offering huge “donations” to a politician’s campaign. Politicians in turn know that getting elected to office without these donations would be far more difficult, if not impossible, especially at the national level. Privileges and favors include contracts, exemptions, tax breaks and even going to war to protect the corporation’s interests.  

But when private prisons, for example, seek to maximize their profits by pressure lobbying for stiffer sentencing guidelines for crimes they also undermine our democracy. 

Although considered to be legal, pressured lobbying has a lot in common with the practice known as bribery. Both involve using money to get office holders to use their privilege of institutional office to provide special favors. And while there are some restrictions on what lobbyists can give to elected representatives, even serious efforts to curtail this system of influencing elected officials have been successfully pressure lobbied against.

Types of corporate parasites

Parasitic corporations differ in the types of favors they wish to obtain, be they government contracts, government subsidies, and other favors.

Government contracts

Some parasitic corporations receive direct government payments for providing a service often at inflated prices. Because of pressure lobbying, the government ends up contracting for more of a given service than required, as is the case with our military and our prisons. This is why the US government’s military spending amounts to almost half of the world’s trillion-dollar military budget and why most of the country’s biggest corporate parasites are military contractors. We should not overlook, however, the influence of the hundreds of smaller military contractors and subcontractors. We also find private corporations that provide intelligence services and even mercenaries for combat-related activities, such as, Sacred Canopy and Blackwater (now known as Academi).

Imperialism is a well-established practice of empires to expand its wealth, or more often than not the wealth of its corporations, at the expense of other nations. Hossein-Zadeh (2007) speaks of a new “parasitic” imperialism, which is “prompted … by a desire to appropriate the lion’s share of the existing wealth and treasure for the military establishment, especially for the war-profiteering Pentagon contractors.” He considers this a dual parasitism “because not only does it exploit the conquered and the occupied abroad but also the overwhelming majority of U.S. citizens and their resources at home.”

Some of the consequences of this parasitic imperialism, Hossein-Zadeh argues includes: redistributing wealth to the wealthy; the weakening of the formation of public capital; and “defenses against natural disasters;” increasing “national debt economic/financial stability; undermining civil liberties and democratic values.

Government subsidies

Another parasitic approach used by oil companies, nuclear  

1 See Astore’s, The Wars of the One Percent (2011).
2 http://en.wikipedia.org/wiki/List_of_United_States_defense_contractors
power providers, and mega-farmers is to receive direct government subsidies to help them succeed. Ideally, a subsidy can function to assist a startup company that is struggling to provide a new and desired service, but needs a temporary subsidy or protection to get started. A local government may use a tax break to encourage a company to locate in their community. However, in parasitic cases, such subsidies do not, or no longer, meet this ideal, and thus simply increase the corporation’s income and profit at the expense of the citizenry.

Obtaining Favors

Pressured lobbying can be used to receive legislative favors, be it tax cuts or the reduction of regulations or laws that privilege corporations as in the case of NAFTA where governments are obligated to compensate corporations. When the Mexican government imposed restrictions on the importation of high-fructose corn syrup, Cargill successfully sued and received $77 million in compensation (Reuters 2012) for lost profit because of legislation snuck into the NAFTA treaty that seriously curtails the ability of local state and national governments to protect its citizens. 4

Restrictions and regulations, imposed on corporations, protect citizens from the ill effects of their practice, be they to prevent environmental degradation, unsound financial practices, or undue political influence. From the corporation’s perspective, these restrictions impose “new” costs of doing business which is why corporations oppose them. Actually, these costs are not new costs, but unrecognized existing ones that have been borne by the general public. Regulations and restrictions transfer these costs from the public to the institution that created these costs in the first place.

Financial institutions

Financial institutions (banks, loan corporations and brokerages) that deal exclusively with money, buying and selling stock, mortgages, and betting on future conditions, also pressure lobby for deregulation, tax breaks and bail outs. This is especially amazing, given the incredibly large amount of money they make with so little effort and so little product, 5 but given the profit maximizing principle, more is never too much.

The commons versus the private sector

The commons, once restricted in meaning to the area of a village reserved for common use, has broadened to encompass, not just land, but things, services and rights that belong to the public domain. 6 Many of our public services, such as health care, potable water and sewer, electric power, parking, health care, prisons, health insurance, education, roads and transportation, fire-fighting which are now public or partly public, were at one time private and available on a pay-per-use basis.

Other services, including fuel, life insurance and banking have never been socialized in this country. This raises the question of when does, or should, a service become a common public service as opposed to a private service made?

Socialization and privatization of a public service

Socialization is the process of converting a private, limited pay-per-use service in the private sector into a public service available to all. Socialization happens when a given service is seen as essential to the citizenry and because when done universally it is usually less costly overall. The private sector will resist this process which means the loss of profit and this is why for a given community only some such services have been socialized. In the United States, pharmaceuticals and banking have not been socialized, while drinking water, trash collection, parcel delivery are only partially socialized.

Privatization

Privatization is the transfer of a public service to the private sector. This happens when a private corporation offers to provide the same service for less money. This is appealing to a community that is strapped for funds because of tax rollbacks and because conventional wisdom holds that this savings is achieved through greater efficiency due to better management styles, though this is often not the case. 7

An all too common privatization strategy begins by reducing taxpayer support for a public service, such as education, thus weakening the quality of the service, thus enabling arguments that the public sector is inefficient and that privatization is the only solution.

In order to make a profit, the private corporation will lower its operating costs below that of the government service that it is replacing. Lowering operating costs can involve exporting jobs to other countries where labor costs are lower or simply paying workers less money or providing fewer benefits. This “cost-saving” mechanism, not only reduces the quality of life for the middle class, but undermines the economy by reducing the purchasing power of the middle class thus making the middle class more dependent on government services for healthcare, housing and food.

4 In September, an energy company based in Delaware filed a $250 million suit against the Canadian government... because the company, Lone Pine, wants to frack in Quebec’s St. Lawrence River but can’t because the Canadian government has banned fracking in that area -- specifically the bed of the river (Moore 2013).

5 Epstein and Crotty (2013) of the Political Economy Research Institute at the University of Massachusetts, note that “financial sector in the United States is extracting 24 times as much income relative to the services it provides to the real sector.”

6 The shopping mall provides an important challenge to the concept of the commons because, while a mall is privately owned, it has been designed to function like a traditional commons. However, unlike a true commons, many commons activities (petitioning, public speaking, ...) are not permitted in these pseudo commons.

7 Buchelt (2013b) points out that in addition to weakening the middle class, privatization moves money to the top and converts “essential human needs into products.”
Other cost-saving methods involve cutting corners by ignoring regulations on safe working conditions, environmental protection, equal opportunity, wage theft and sound business practices. In many cases, once the private contract has been secured, be it health care, prison care, or education, the quality of the service will fall below that originally provided public service.

Privatization inevitably results in lower pay for the same work with the private company taking its cut as profit. Johnson (2011) notes that that in Michigan, the state pays J2S Healthcare Group $15 an hour for hour nursing assistants who receive only $10 an hour.

The cost of corporate parasites

Determining the real cost of privatizing and of corporate parasites is a challenging, time-consuming undertaking, partly because we have not established the procedures for doing so. In lieu of this, the following incomplete summary of direct and indirect costs offers a glimpse of what the relatively unfettered regulation of corporate parasites costs us.

Direct costs. Some of the cost of corporate parasitism can be measured as cash outlays:
1) Subsidies and Tax breaks (Oil, Nuclear, Coal, Farm Support);
2) The funding of unneeded services (nuclear weapons, nuclear power, guns, over sentencing of convicts);
3) The additional cost of profit extracted by corporations, be it student loans, providing health insurance or weapons of war. Herbst (2013), citing Chassy and Amey (2011) note that the US government paid contractors an average of 83% more for projects than what it would cost in-house;
4) Low wages lead to greater dependency on government-provided safety nets such as welfare and food stamps. Allegretto et al (2013) estimate that the low wages paid by the fast-food industry costs taxpayers about $7 billion a year in public assistance;
5) Tax losses through legal maneuvers such as inversion “in which a company declares that its U.S. operations are owned by its foreign subsidiary, not the other way around, and uses this role reversal to shift reported profits out of American jurisdiction to someplace with a lower tax rate (Krugman 2014).

Indirect costs have to do with the costs to the community as a whole, especially in the case of corporate parasites and as the following list suggests, these costs are not insignificant.
1) Militarism causing wars and unnecessary military expenditure.
2) Economic inequality through the transfer of wealth from low and middle class workers to the wealthy 1%. Societies with greater income disparity are less stable and inevitably lead to collapse.
   a) Junk jobs replacing quality jobs with through exporting and privatization.
   b) Increasing the cost of services (private insurance, pharmaceuticals, banking, and student loans).
   c) Poorer quality service.
   d) increased personal costs due to deregulation, the loss of environmental protection and care.
   e) advertising to promote special interests.
3) De-democratization when corporations to determine: a) who gets elected; b) what the elected representatives vote for; and c) which issues are open to public debate.
4) Environmental degradation by weakening legislation designed to protect the public leading to environmental degradation.
5) Economic crises (banks failures, mortgages, scams).

When to privatize and when to socialize

The current criterion for determining when to privatize is cost, but, as pointed out above, cost does not tell the whole story. Until real economists agree to address this question, let me open the discussion with two considerations. 1) Is the service usable by everyone? 2) When all costs are calculated, can the private version provide the service at less cost?

Usability

If the service is limited to a small segment of the population, then it need not be a public service. But if it is a matter like health care, including gender-related health issues then the service should become, or remain, public.

Cost

The question of cost is made complicated by the fact that in order to determine the true cost of the service all the costs have to be included. For example, if a private company is offering a service as a lower cost because it is not paying its staff as much as they would be paid under a government plan, then the costs of this underpayment have to be taken into consideration.

Another annoying property

Corporations have the capacity to dissolve and reform as something else and in the process slough off their baggage of responsibilities to their employees and penalties accrued from their illicit actions.

How do we reduce corporate parasitism?

As pointed out above, we need to recognize that what corporate parasites do is not based on individual greed but a function of the way corporations are set up to operate. Having recognized this, we can get on with how to deal with them more successfully.

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8 The Sierra Club (2013) notes the “Massive US Taxpayer Subsidies for Mining on Public Lands.”

9 This is not the way corporations were established historically. Originally they were “chartered” by a legislature to provide a service. These corporations were periodically subject to renewal if their performance was viewed positively. This is no longer the case.
Not too surprisingly, most of the following suggested reforms have already been put into practice, but given that this problem represents an ongoing struggle, the corporate parasite is also constantly working to reverse these changes.

1. **Taking a long-term view**
The short-term view of corporations precludes their ability to understand the long-term consequences of their actions. Corporations are further limited because they understand the consequences of their actions only in terms of profit and loss. It is absolutely necessary to understand both the short-term and long-term consequences of privatized services including the economy, the environment and democracy.

2. **Corporate regulations**
   - Impose corporate regulations that limit the damage, economic, personal and environmental, that corporate parasites can do and that help to provide an account of the real cost of corporate activity.
   - Limit the size of corporations so that none are too big to fail.
   - Establish guidelines and principles concerning when and under what conditions privatization can be permitted.
   - Reestablish strict financial regulations.
   - Rewrite tax laws that make it more difficult for corporations to hide taxable income and make personal income tax more progressive so that the wealthy pay a greater share of the tax burden. Note that “just 32 companies avoided enough in 2012 taxes to pay the ENTIRE 2013 federal education budget” (Buchheit 2013).  

3. **Enact electoral reform**
   - By envisioning democracies as multifaceted and varied, we can consider types of democracy which are more suited to our needs.
   - Restrict the flow of money into campaigns.
   - Increase access to voting.
   - Change the way elections are held. By requiring a candidate to win by receiving a majority (as opposed to a plurality) of the votes cast would give progressive parties a better chance of representation. By introducing proportional voting for elected bodies will also allow minority parties to have some say in governance.

4. **Develop alternatives to the “public” corporation**
Alternatives to corporations including member-owned cooperatives (food co-ops, credit unions and food gardens) are a growing part of our economy (Zeese and Flowers 2013) as are benefit corporations (Raskin 2011) which has, as part of its constitution, the use of some of its profits to provide benefits for the community.

5. **Public education about corporate parasites**
A democracy can only work if the electorate has a good understanding of what is really going on. By falling for corporate propaganda that the “government” is to blame for our problems will continue to mask the real problem we need to confront. The role of myth busting and the complementary role of sound political, social and economic analyses are crucial to our regaining the type of democracy we want and need. Aware consumers can influence the market and have a serious influence on bad corporate practices.

**Conclusions**
The degree to which the corporation has influenced government marks it as a major, though not the sole, cause of the economic weakening of the economy and the erosion of democratic processes in this country and around the world. To restore the democratic control of our communities, both large and small, we will have to impose a greater control on the corporate-government complex. We have several mechanisms at our disposal. One is to impose regulations on corporations to make them more responsible and less parasitic. Another is to split up large corporations that are too big to fail. This was the intent behind the anti-trust legislation which included the Sherman Act 1890, the Clayton Act 1914 and the Federal Trade Commission Act 1914. A third way is to “publicize” private corporations to make them more responsible.

**References and Links**


Moench, Brian. 2013. Death by Corporation, Part II: Companies as Cancer Cells. Truthout, 23 July 2013. (An examination of the deleterious effect of deregulation of the financial, chemical and drug industries.)


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