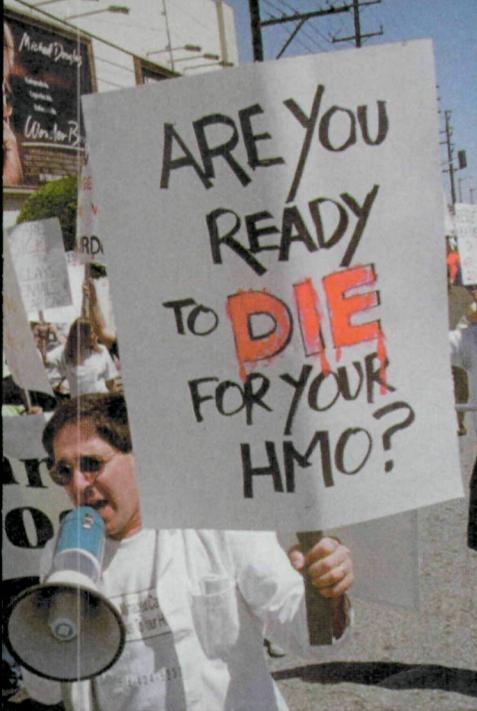




BONES OF CONTENTION *Rapidly rising prices at the pump, lousy medical care from cheap skate HMOs,*

Cover Story

TOO MUCH CORPORATE POWER?



and drugs too pricey for many seniors make ordinary Americans feel as if they've missed the boat

Amid the good times, citizens feel uneasy about Big Business. The growing political issue is one that companies ignore at their peril **BY AARON BERNSTEIN**

The U.S. has rarely been as buoyant as it is today. The golden economy has delivered years of plentiful jobs and soaring incomes—after decades of going sideways. From janitors to dot-com billionaires, almost everyone is feeling the flush times. Paychecks are rising, and wealth is piling up on a scale unimaginable just a few years ago, when the U.S. struggled through the recession of the early 1990s. Even many of America's worst ghettos are seeing an influx of investment and jobs.

Most Americans recognize that Corporate America gets much credit for the good fortunes. A solid two-thirds of the U.S. public gives companies kudos for today's prosperity, according to a BUSINESS WEEK/Harris Poll released on Aug. 31. About the same number say large corporations make good products and compete well in the global economy.

Yet amid the good times, Americans feel uneasy. BUSINESS WEEK's poll shows that nearly three-quarters of Americans think business has gained too much power over too many aspects of their lives. In a response that surprised the pundits, the public seemed to rally around the sentiment expressed at the Democratic convention, when Al Gore declared that Americans must "stand up and say no" to "Big Tobacco, Big Oil, the big polluters, the pharmaceutical companies, the HMOs." Gore sensed the frustration of many voters and their desire to blunt some of the power

of business, crafting a new campaign strategy that so far is working (page 150). Indeed, 74% of those polled by BUSINESS WEEK agreed with the Veep's remarks.

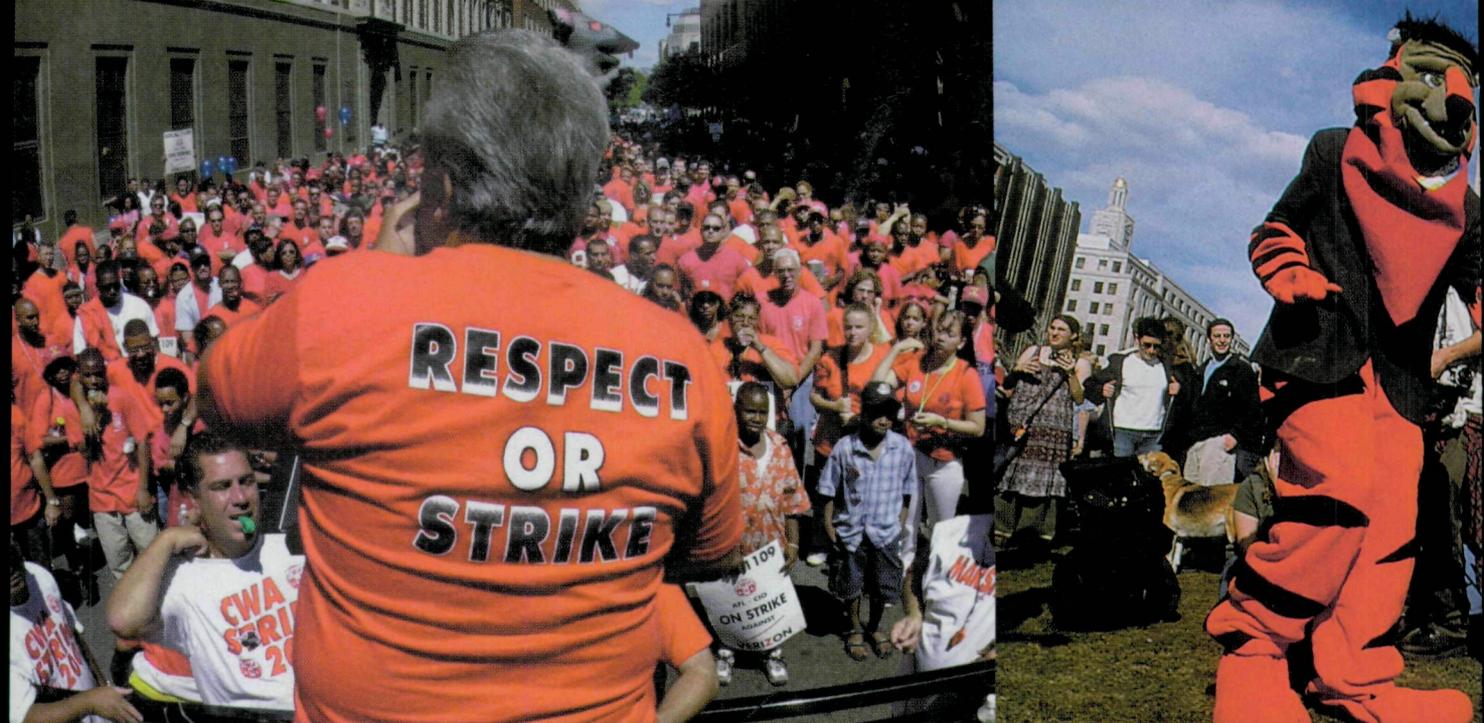
Gore's neo-Populist rhetoric has tapped a vein of discontent. Consumers are seething about insensitive corporate behavior. And that is only adding to a souring of attitudes toward large companies. While Americans give companies their due for producing more wealth and higher incomes, only 47% think that what's good for business is good for most Americans, according to BUSINESS WEEK's poll. And 66% think large profits are more important to big companies than developing safe, reliable, quality products for consumers. Adding to the disenchantment is the perception that companies often buy their way into government: Witness the success of Senator John McCain (R-Ariz.) in pushing for campaign-finance reform during his Presidential run. "There's a widespread sense of unfairness and distrust today, where people think companies are not quite playing by the rules," says Ruy Teixeira, a polling expert at the Century Foundation, a Washington think tank.

So how is it that Corporate America is both hero and villain? Oddly enough, part of the anticorporate mood may be a consequence of the rip-roaring

economy itself. Now that Americans' material needs are so well satisfied, they have the luxury of focusing on their quality of life. Just as U.S. companies claim to be the architects of the boom, so too are they

72% of Americans say business has **TOO MUCH POWER** over too many aspects of American life

For more poll results, see page 148



STRONG PROTESTS Discontent has focused on mandatory overtime at Verizon Communications, on the

held responsible for its excesses and failings. "The slippage in service—it's almost epidemic, across every aspect of our lives," fumes Anne Zenzer, an executive recruiter in Oak Brook, Ill., who flies 100,000 miles a year, mostly on United Airlines Inc.—notorious these days for delays.

The revved-up New Economy has also left many families feeling overworked and stressed out. The sticking point in last month's strike at Verizon Communications was workers' complaints about burnout and mandatory overtime, which management finally agreed to limit. At the same time, many Americans feel they're not getting their fair share of the riches. The reason: Average wages and benefits have outpaced inflation by only 7.6% since the last recession ended in 1992, while productivity has jumped by 17.9%. The gap between the rich and the poor also grates on many middle-class people. Chief executives inflame matters by granting themselves multimillion-dollar pay packages, which 73% of the public sees as excessive, the poll shows.

NO REINS. Indeed, corporate leaders are perceived as insensitive and more concerned with profits than with those they're supposed to be serving. "Some companies get big, they get arrogant, and they lose touch with the community," concedes Jerry Jasinowski, head of the National Association of Manufacturers. Part of the problem is that no one's reigning in business anymore. Most of the institutions that historically served as a counterweight to corporate power—Big Government and strong unions—have lost clout since Ronald Reagan came to town crusading for deregulation and local control. The conservative ascendancy that followed discredited much of the New Deal social structure, leaving corporations to fill the vacuum, says Boston College sociologist Charles K. Derber, author of a 1998 book, *Corporation Nation: How Corporations Are Taking Over Our Lives And What We Can Do About It*.

It's this power imbalance that's helping to breed the current resentment against corporations. Some experts draw analogies to a previous period of unchecked corporate power—in the late 1800s—when the opening of the wide-

open frontier economy and robber-baron capitalism gave rise to the Populist movement. Such raw anticorporate sentiment was on display in this summer's Big Tobacco trial in Miami. When it ended, the foreman of the jury that delivered a \$144.8 billion punitive-damage judgment against the industry took the opportunity to speak out, saying the jurors' deliberate intention was to "put the companies on notice—not just the tobacco companies, all companies—concerning fraud or misrepresentation of the American public."

For Corporate America, there is danger in the new climate: In a word, renewed government regulation. For two decades, market deregulation has fostered competition and lowered many prices. But the pendulum may have swung too far for many citizens, who now take the gains for granted and want to dampen the extremes that can come with unfettered capitalism. Already, Washington is making noises about curbing megamergers, regulating health-maintenance organizations and drug prices, imposing new rules on airlines, and capping energy rates in cities such as San Diego, where costs skyrocketed after the city deregulated its utilities.

Unless companies placate critics, they may prod politicians into more government intervention. While Gore's new pitch undoubtedly involves some calculated appeal to the liberal base of the Democratic Party, he also may have to deliver on some of the promises if he's elected. Certainly, the

Cover Story

SOME POINTS OF FRICTION

ARTISTIC CONTROL Rock musicians, indie filmmakers, and other artists are rebelling against control by big media and retail companies.

BRANDS In-your-face marketing campaigns have sparked antibrand attitudes among students.

CEO PAY Nearly three-fourths of Americans see executive pay packages as excessive.

COMMERCIALISM IN SCHOOLS Parent groups have mounted battles in hundreds of communities against advertising in the public schools.

CONSUMERISM Anger and frustration are mounting over high gasoline and drug prices, poor airline service, and HMOs that override doctors' decisions. The latest fiasco: faulty auto tires.



Issue of genetically modified foods, and on Channel One's soft-drink advertising in school classrooms

pressure to rein in companies isn't likely to let up anytime soon. Just look at longtime consumer advocate Ralph Nader, who in his Presidential campaign has zeroed in on companies as the bad guys responsible for many of the nation's ills (page 152). "There's an increased readiness to believe negative things about corporations today, which makes it a dangerous time for companies," warns Daniel Yankelovich, chairman of pollster DYG Inc. "Executives haven't had to worry about social issues for a generation, but there's a yellow light flashing now, and they better pay attention."

OUT OF CONTROL. Another risk for Corporate America is weakened support for free trade. At home and abroad, citizens facing globalization worry that powerful corporations override national sovereignty and can undermine political and monetary systems. On Aug. 25, Federal Reserve Chairman Alan Greenspan warned the annual gathering of central bankers in Jackson Hole, Wyo., that the "unease about the way markets distribute wealth" could cause the "latent forces of protectionism and state intervention" to reassert themselves, both in the U.S. and other countries. The French have made a hero of the farmer who lashed out at McDonald's Corp., not so much because they hate the fast-food company but because many think multinationals crush local culture. McDonald's executives say they see few effective ways to combat this attitude, except to emphasize local franchises' neigh-

borhood roots. "It comes with the turf," laments McDonald's Vice-Chairman James R. Cantalupo. "I don't know if you ever get over it as long as you are the No.1 brand."

Similarly, the Asian crisis drove home the loss of control many citizens feel when companies and investors upend the money supply or yank investment dollars at a moment's notice. Europe has had even more demonstrations than the U.S. against corporate-driven globalization. World Bank and International Monetary Fund officials are bracing for another round when their annual meetings open in Prague on Sept. 19. "The whipping boy is the corporation because it's the leading agent of change in the new global markets being created," says Boston College's Derber.

Also at play, at least in the U.S., is a shift in cultural norms. Put simply, it's becoming fashionable to be anticorporate. The sudden prevalence of the dot-com companies, with their sneakers and parrots in the office, have led many professionals to turn against the hierarchical, buttoned-down environment of Corporate America. In today's tight labor markets, even Wall Street and white-shoe law firms have ditched pinstripes for slacks and sweaters, hoping to stanch the flow of talent to the online world. Madison Avenue, too, sees chic in the anti-big-corporation fad. A recent ad for financial consultants Salomon Smith Barney—whose parent, Citigroup, is a monster conglomerate if ever there was one—plays off the dot-com sensibility that derides business-suited executives, saying: "Suits aren't necessarily bad. When they're working for you."

Anticorporate feelings are seeping into popu-

It's no longer a youth or hippie thing. Today, those angry at business come from all parts of U.S. society

FRANKENFOODS Europeans' skepticism about genetically modified food is taking hold in the U.S., making targets of companies such as Monsanto.

GLOBALIZATION Environmentalists, students, and unionists charge that global trade and economic bodies operate in the interests of multinational companies.

POLITICS Public revulsion over the corporate bankrolling of politicians has energized campaign-finance reform activists.

SWEATSHOPS Anti-sweatshop groups have sprung up on college campuses; they routinely picket clothing manufacturers, toymakers, and retailers.

URBAN SPRAWL Groups in more than 100 cities have blocked big-box superstores by Wal-Mart and other chains.

WAGES Some 56% of workers feel they are underpaid, especially as wages since 1992 have topped inflation by 7.6%, while productivity is up 17.9%.

lar entertainment, too. Rock musicians and other artists have always identified with the counterculture, but today they are rebelling against the clout of media and retail companies.

Cover Story

Many artists perceive their decisions not to buy "offensive" material as corporate censorship. And Hollywood has seen a spurt of movies that portray companies as sinister baddies (page 158). All the negative imagery tarnishes Corporate America's legitimacy.

To some degree, corporations are victims of their own success. In the past decade, they have created global brand names by cultivating emotional connections with consumers that go beyond products. In the process, they raise consumers' expectations about their favorite companies—making them sitting ducks. "Multinationals like Nike, Microsoft, and Starbucks have sought to become the chief communicators of all that is good in our culture: art, sports, community, connection, equality," asserts Naomi Klein, author of *No Logo: Taking Aim at the Brand Bullies*, a book that documents

HOW BUSINESS RATES: BY THE NUMBERS

Business Week/Harris Poll

Survey of 1035 adults conducted Aug. 25-29, 2000, 1009 adults conducted June 29-July 5, 2000, 1010 adults conducted Dec. 9-12, 1999, and 1004 adults on Feb. 23-26, 1996. Results should be accurate within 3 percentage points. Results for 2000 are from June unless otherwise noted.

CORPORATE AMERICA: SOME CREDIT, MORE BLAME

American business should be given most of the credit for the prosperity that has prevailed during most of the 1990s.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	DISAGREE STRONGLY	NOT SURE/NO ANSWER
2000	26%	42%	19%	10%	2%
1996	55%*		44%*		

Business has gained too much power over too many aspects of American life.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	DISAGREE STRONGLY	NOT SURE/NO ANSWER
2000 (Aug.)	40%	32%	15%	9%	4%
2000 (June)	52%	30%	12%	4%	2%
1996	71%*		28%*		

In general, what is good for business is good for most Americans.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	DISAGREE STRONGLY	NOT SURE/NO ANSWER
2000 (Aug.)	14%	33%	27%	22%	4%
2000 (June)	17%	35%	23%	24%	1%
1996	32%	39%	20%	8%	1%

How much confidence do you have in those running big business?

	2000	1999
Great deal	19%	15%
Only some	58%	69%
Hardly any	17%	13%
Not sure/No answer	5%	3%

Having large profits is more important to big business than developing safe, reliable, quality products for consumers.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	DISAGREE STRONGLY	NOT SURE/NO ANSWER
2000 (Aug.)	38%	28%	14%	17%	3%

*Question asked only agree or disagree

GORE'S BIG SCORE

At the recent Democratic convention, Vice-President Al Gore criticized a wide range of large corporations, including "big tobacco, big oil, the big polluters, the pharmaceutical companies, the HMOs." Do you agree or disagree with Gore's sentiments?

Strongly agree	39%	Strongly disagree	13%
Somewhat agree	35%	Don't know/	
Somewhat disagree	9%	No answer	4%

SECTOR BY SECTOR

LOW MARKS FROM CONSUMERS

How would you rate these industries in serving their consumers?

	ONLY POOR	PRETTY FAIR	GOOD	EXCELLENT	DON'T KNOW/NO ANSWER
HMOs	43%	28%	15%	3%	11%
Tobacco companies	43%	30%	14%	5%	8%
Oil companies	39%	35%	16%	3%	7%
Insurance companies	32%	41%	21%	3%	3%

43% think HMOs serve their customers **POORLY**

Pharmaceutical companies	27%	37%	26%	5%	5%
Airlines	22%	41%	25%	3%	9%
Telephone companies	20%	42%	31%	6%	1%
News organizations	18%	38%	33%	6%	5%
Hospitals	15%	35%	38%	9%	3%
Entertainment companies	14%	33%	38%	9%	6%
Automobile companies	12%	42%	37%	6%	3%
Financial services firms	12%	40%	34%	5%	9%
Computer companies	4%	30%	40%	10%	16%

GOOD PRODUCTS, POOR PRACTICES

WHAT CORPORATIONS DO WELL—AND NOT SO WELL

How would you rate large U.S. companies on each of the following?

	EXCELLENT	PRETTY GOOD	ONLY FAIR	POOR	DON'T KNOW/NO ANSWER
2000	18%	50%	26%	5%	1%
1996	14%	44%	33%	9%	*

youth rebellion against the pervasiveness of brand names. "But the more successful this project is, the more vulnerable these companies become" to attacks on their image.

When brands do wrong, she argues, loyal consumers feel betrayed, much as fans turn against a fallen movie star or sports hero. All those college students who show up at demonstrations against globalization see corporations such as Nike Inc. as self-serving organizations that violate human rights and pollute the earth. Even teens think it's cool to hate corporations. Suburban 13-year-olds accuse Starbucks

Corp. of driving local coffeehouses out of business and sport T-shirts that say: "Friends don't let friends drink at Starbucks." Says Irene Krugman, an 11th grader who in 1998 helped to start the Student Committee Against Labor Exploitation at her New York high school: "I still shop at those brand-name stores, but I feel really guilty about it."

Whether they admit it or not, corporate chieftains are certain to be watching this trend closely. Citizen attacks on corporations have been surprisingly effective, and many executives have seen how stonewalling and defensiveness have

68% think **BIG COMPANIES** make **GOOD PRODUCTS**

Treating all of their employees well

	EXCELLENT	PRETTY GOOD	ONLY FAIR	POOR	DON'T KNOW/ NO ANSWER
2000 (Aug.)	6%	25%	42%	21%	6%

Educating their consumers on the health and safety of their products

	EXCELLENT	PRETTY GOOD	ONLY FAIR	POOR	DON'T KNOW/ NO ANSWER
2000 (Aug.)	8%	31%	38%	19%	4%

Having fair and reasonable prices, relative to their profits

	EXCELLENT	PRETTY GOOD	ONLY FAIR	POOR	DON'T KNOW/ NO ANSWER
2000 (Aug.)	5%	22%	46%	23%	4%

Providing job security for employees

	EXCELLENT	PRETTY GOOD	ONLY FAIR	POOR	DON'T KNOW/ NO ANSWER
2000 (Aug.)	7%	25%	36%	29%	3%

*less than 1%

THE DIVISIVE ISSUE OF PAY

PAY FOR TOP EXECUTIVES

How would you assess compensation of top officers of large U.S. companies?

	2000	1996
Too much	73%	73%
Too little	3%	5%
Just about the right amount	21%	19%
Not sure	2%	3%
No answer	*	*

YOUR OWN PAYCHECK

How would you rate your own pay?†

	2000	1996
Too much	*	1%
Too little	56%	57%
Just about the right amount	42%	42%
Not currently working for pay (vol.)	*	NA
Not sure/No answer	*	*

†Asked only of people with jobs

*less than 1%

73% say top big-business **EXECUTIVES** get paid **TOO MUCH**

HOW CORPORATIONS BEHAVE

POLITICAL INFLUENCE

How would you rate the power of different business groups in influencing government policy, politicians, and policy-makers in Washington?

	TOO MUCH	TOO LITTLE	ABOUT RIGHT	NOT SURE/ NO ANSWER
Big companies	2000 ... 74%	5%	20%	1%
	1999 ... 82%	8%	3%	7%
Small business	2000 ... 2%	78%	19%	1%
	1999 ... 3%	89%	2%	4%

74% say **BIG COMPANIES** have too much **POLITICAL INFLUENCE**

POPULAR CULTURE

Entertainment and popular culture are dominated by corporate money which seeks mass appeal over quality.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	STRONGLY DISAGREE	NOT SURE/ NO ANSWER
2000	45%	37%	11%	4%	4%

Entertainment and media companies do a good job of creating products that many people want to buy and enjoy.

	AGREE STRONGLY	SOMEWHAT AGREE	SOMEWHAT DISAGREE	STRONGLY DISAGREE	NOT SURE/ NO ANSWER
2000	32%	46%	13%	8%	1%

BEYOND THE BOTTOM LINE

Which of the following statements do you agree with more strongly?

	2000	1999
U.S. corporations should have only one purpose —to make the most profit for their shareholders— and their pursuit of that goal will be best for America in the long run.	4%	5%
U.S. corporations should have more than one purpose. They also owe something to their workers and the communities in which they operate, and they should sometimes sacrifice some profit for the sake of making things better for their workers and communities.	95%	95%
Not sure/No answer	1%	0%

BusinessWeek online

Complete results of the poll can be found in the Sept. 11 issue online at www.businessweek.com.

boomeranged. In some cases, the criticism intensifies, with the potential to damage brand images and sales, undermine companies' standing with regulators and politicians, and, ultimately, whack a company's stock price. Yet some of the moves critics find the most egregious are the ones managers say they're forced to use to compete, from downsizing to in-your-face ad blitzes to political lobbying.

In a few cases, companies have realized that the new climate requires a response before a consumer backlash spins out of control. Last April, for example, after months of protests by human-rights and student groups, Starbucks agreed to buy coffee from importers who pay Third World farmers a premium over world market prices. In mid-May, 3M said it would voluntarily stop making Scotchgard, a 40-year-old product with \$300 million in sales, after 3M tests showed that the compound didn't de-



“ There is often a fine line between scientific confidence and corporate arrogance....

We didn't listen very well ”

—FORMER MONSANTO CEO SHAPIRO

compose in the environment. And in late August, McDonald's tried to head off concerns about the treatment of animals through regulations for farmers who provide it with 1.5 billion eggs a year. “Corporations have to prove themselves,” says John P. Rowe, CEO of Unicom Corp., a Chicago utility that has spent \$1 billion to improve service after huge

blackouts last summer. “Don't promise the moon, but don't promise so little that any damn fool could deliver.”

If today's anticorporate backlash is more low-key than the counterculture revolution of the 1960s, it may be even more dangerous for Corporate America. Back then, antibusiness attitudes were restricted mostly to youth and college students. And they were just one element of a broader generation gap that led baby boomers to reject the entire Establishment, from its sexual mores to the Vietnam War and the military-industrial complex. Today, those Americans angry at corporations cut across generations, geography, and even income groups. And the Net amplifies the power of the tech-savvy

Cover Story

WILL POPULISM STAY POPULAR?

COMMENTARY

By Paul Magnusson

Nothing seemed to be working. Vice-President Al Gore was stuck double digits behind Texas Governor George W. Bush through much of the summer. But then Bush chose as his running mate Richard B. Cheney, the chairman of oil-services giant Halliburton Co., right in the middle of a gasoline price spiral. Gore already had been trying out some anti-Big Business themes in campaign speeches: “Big Tobacco, big drug companies, big polluters.” Crowds responded, focus groups approved. So when Gore rose to accept his party's nomination in Los Angeles on Aug. 17, he came out swinging—sounding more like a prairie populist than the man once known around Washington as Senator Science.

Gore's advisers insist there's nothing new about his attempt to turn selected industries into pariahs. Gore has been inveighing against oil and drug-company pricing since he was first elected to Congress in 1976. But, aides concede, his effort to lump the corporate miscreants together—aided by such tales as the plight of little Ian Malone, victim of a tightfisted HMO—seems to be working so far. Gore “brought some of the old bogeymen out of the closet, and it has helped him extend his post-convention bounce,” says Christopher Barnes of the Center for Survey Research & Analysis at the University of Connecticut.

The chief strategist behind this “working families populism” seems to be former Clinton pollster Stanley B. Greenberg, who recently joined the campaign. Greenberg has refused to talk about the advice he's giving. But Gore



GORE: With the Malones, who fought their insurer

has other advisers cheering him on. Speechwriter Robert Shrum, a former aide to Senator Edward M. Kennedy (D-Mass.), is a passionate supporter of liberal causes. Campaign manager Donna Brazile and field organizer Michael Whouley are veteran aides-de-camp for labor candidates.

A populist cast helps Gore win back left-leaning voters who may be intrigued with the candidacy of Green Party nominee Ralph Nader. “We are encouraging him to keep it up because it works very well with working families,” says AFL-CIO President John J. Sweeney. And Gore risks little by further alienating industries such as gunmakers, which he and President Clinton have spent years castigating.

The danger is that Gore could let his carefully crafted stance on specific issues drift into a general image of Anticorporate Crusader. Most people don't hate corporations—they hate the problems they have created. So the Veep will need to be wary of excessive business bashing. Finding that fine line will be his continuing challenge.

Magnusson covers economics and politics from Washington

NADER'S WATCHDOGS HAVE SHARP TEETH

You've got to hand it to Ralph Nader. While other politicians may bow to the shifting winds of public opinion, he has been steadfastly preaching the same antibusiness gospel for more than three decades. And although Nader's message fell out of fashion during the 1980s and most of the '90s, it is clearly back in style. Not only is his Green Party Presidential campaign faring better than expected, but he's also putting heat on Democratic Presidential candidate Al Gore to join the business-bashing rhetoric.

Sitting in his rundown campaign headquarters in Washington (decorated with a T-shirt on the wall that reads: "You can have democracy. Or you can have corporate control. But you can't have both"), the 66-year-old Nader has little trouble diagnosing the source of his success. "When you give commercial interests in a society too much power," he says, "they run roughshod over other values, whether it's health, safety, protection of childhood, environment, [or] access to justice." He derides Gore's attempt to jump on the anticorporate bandwagon as "phony."

Of course, nobody expects Ralph Nader to be America's next President. But that doesn't mean his campaign against Corporate America is going to die the moment the election is over. Through the years, Nader has systematically built a network of more than 30 public interest groups that are de-

discontented who use it the way the colonists used Paul Revere, getting out the word about the most recent outrage or exposé. "With the Internet, information flows instantly, so even if we don't have more people concerned about companies, those who are can do more about it," says Harvard University labor economist Richard B. Freeman.

Cover Story

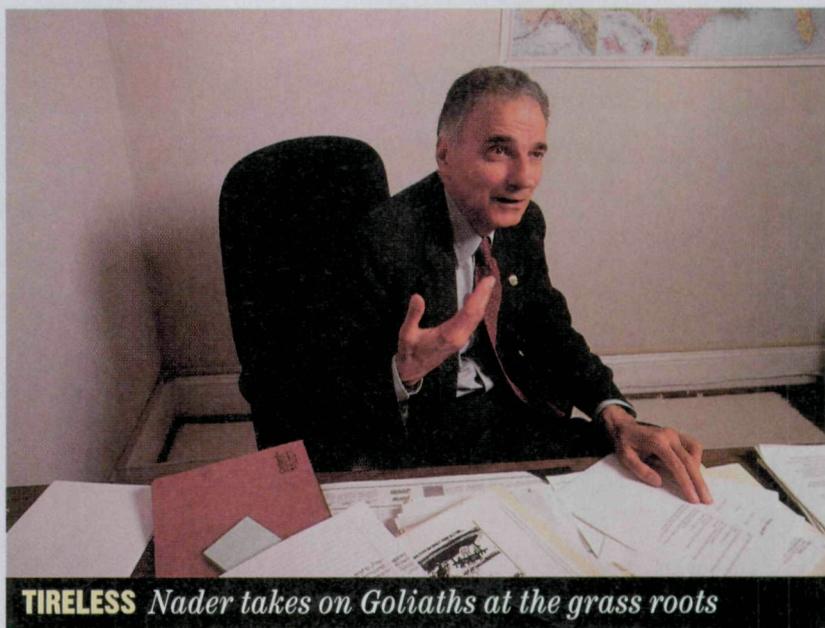
that anti-sweatshop activists send to muster rallies flashes with ads. But that doesn't preempt protesters from targeting companies they deem offensive—no matter how benign their products seem to be. "We suffer from not enough people knowing what we do [with philanthropic causes], because we can't beat our own drum too loudly, for fear of weakening the trust that we do have," laments David Olsen, Starbucks' senior vice-president for corporate responsibility.

And once activists have lost faith in a company, it can be hard to rebuild confidence. Tobacco companies have been so vilified that they may never regain the tolerance they enjoyed just a few years ago. Now, HMOs have become the whipping boy for



“ It comes with the turf. I don't know if you ever get over [dislike of behemoths] as long as you are the No.1 brand ”

—McDONALD'S VICE-CHAIRMAN CANTALUPO



TIRELESS Nader takes on Goliaths at the grass roots

voted to battling the business community, including Public Citizen, the Center for Auto Safety, the Consumer Project on Technology, the Aviation Consumer Action Project, Essential Action, the Center for Science in the Public Interest, and the Pension Rights Center (table).

TRADITIONAL. Together, this loose federation of independent watchdog groups constitutes something of an anticorporate conglomerate. While the media are focusing on the dreadlocked collegiate street protesters, Nader's empire uses traditional methods to pursue much the same agenda. It lobbies Congress, holds policy seminars, and produces position papers on a bewildering array of issues, including everything from antitrust to tobacco regulation to trade to energy policy. Over the years, Nader's direct involvement with the various

a public fed up with bureaucratic decisions and lousy health care; 43% of Americans give HMOs poor marks at serving customers, according to the BUSINESS WEEK poll, a rating as bad as tobacco received. For several years, critics have hammered the industry with gut-wrenching stories like those of Ian Malone, the baby Gore introduced to the Democratic convention, who was denied coverage for a full-time nurse he needed after he was injured at birth by a medical error.

LISTEN TO ME. Such tales have put HMOs on the defensive in Congress, where the industry has been battling furiously against a bill granting patients the right to sue health-care providers. HMOs concede that more regulation is needed to give patients a way to challenge corporate health-care decisions. But they want to avoid fat jury awards with a system of independent reviews. "The logical extension of the demonization of HMOs is to push the problem into the courts, but employees will lose if costs go up and their employers can't afford to cover them anymore," warns Karen M. Ignani, president of the American Association of Health Plans, the industry's trade group in Washington.

Mistrust of big companies—and a feeling that they listen to citizen complaints only when forced to do so—is a common refrain among crit-

groups has increasingly declined—to the extent that he now has no official titles or responsibilities at most of them. But insiders say that, until the campaign, he played a key role in formulating policy at the majority of the organizations.

One of the most important ways in which the groups in Nader's network fan the business backlash is by helping small grassroots organizations that are trying to take on corporate Goliaths. The Pension Rights Center (PRC), for example, advised a coalition of IBM employees opposed to the company's attempt to convert their pensions into so-called cash-balance plans. Under these types of pensions, older employees typically earn less than they would under traditional plans. After suffering a big public relations hit, IBM last September partially caved in and decided to let 35,000 additional employees retain their old benefits. Now, employees at AT&T, Citibank, and elsewhere are fighting their companies' cash-balance plans. The PRC is lobbying for legislation allowing veteran workers to retain their old benefits.

To be sure, Naderite groups frequently espouse fringe views and often are outmuscled by better-financed corporate opponents. But they do have their share of victories. Washington's Consumer Project on Technology, for example, played a key role in getting President Clinton to sign an executive order in May allowing African countries to manufacture and import generic versions of AIDS drugs without facing trade sanctions. The measure, which Clinton originally opposed, was heavily attacked by the U.S. pharmaceutical industry out of concern that it would rob them of sales and weaken their intellectual-property rights. According to one former lobbyist at a trade association that fought the measure, the Consumer Project on Technology "was very influential" in triggering the White House turnaround.

Aware that he is a lightning rod for criticism, Nader does not go out of his way to boast about the many public interest groups he has created. But long after this election is over and he has retired from public life, they could very well turn out to be his most important legacy.

By Mike France in Washington

ics. Take genetically modified foods. Initially, the industry brushed off the so-called Frankenfoods complaints, arguing that no scientific studies had validated critics' concerns about health or environmental hazards. But over the past year, hundreds of protesters have descended on Food & Drug Administration hearings. This summer, potato giant J.R. Simplot Co., a major McDonald's supplier, told its farmers to stop growing Monsanto Co.'s genetically modified "NewLeaf" potato, bred to resist insects. Overall, the U.S. acreage of biotech corn and soybeans has leveled off after several years of explosive growth, according to the Agriculture Dept. biotech setbacks were one reason industry leader Monsanto saw its stock fall, leading to its acquisition by Pharmacia Corp. in March.

Executives even occasionally admit their mistakes. In an extraordinary essay, *The Welcome Tension of Technology: The Need for Dialogue about Agricultural Biotechnology*, published in February by Washington University in St. Louis, former Monsanto CEO Robert B. Shapiro wrote: "We've learned that there is often a very fine line between scientific confidence on the one hand, and corporate arrogance on the other." Shapiro, now the nonexecutive chairman of Pharmacia, added: "It was natural for us to see this as



“Retailers need to be more responsible to look and see if problems are being created [by big-box stores]”

— FORMER WAL-MART CEO GLASS

CHAIRMAN OF THE ANTICORPORATE BOARD

Ralph Nader has established more than 30 public interest groups that are a thorn in the side of Corporate America

AVIATION CONSUMER ACTION PROJECT Met with FAA Administrator Jane Garvey to propose new rules to prevent flight delays, including penalties for deceiving passengers about problems. Pushed for increased compensation for lost luggage. Staff: 2

CENTER FOR AUTO SAFETY Agitates for vehicle recalls, increased highway safety standards, and lemon laws. Helps consumers find plaintiffs' lawyers. Staff: 5

CENTER FOR STUDY OF RESPONSIVE LAW Nader's headquarters. Home of Consumer Project on Technology, which sponsored seminars on Microsoft remedies, pushed for tougher Internet privacy rules, and took on the drug industry over costs. Staff: 15-20

COMMERCIAL ALERT Fights excessive commercialism. Targets include Primedia (for delivering ads in educational programming) and Coke and Pepsi (for aggressive sales tactics in schools). Staff: 1

PENSION RIGHTS CENTER Helped organize employees at IBM, General Electric, and elsewhere against cash balance pension plans. Staff: 8

PUBLIC CITIZEN Umbrella organization sponsors Global Trade Watch, Congress Watch, Critical Mass Energy & Environment Program, Health Research Group, and Public Citizen Litigation Group. Issues include tort reform, oil mergers, and campaign finance reform. Staff: 75-80

a scientific issue. We didn't listen very well to people who insisted that there were relevant ethical, religious, cultural, social, and economic issues as well.”

LOCAL HEROES. Similarly, many residents upset about urban sprawl feel ignored by the big companies they battle. When Kmart Corp. set out last year to build a 100,000-square-foot superstore in South St. Louis, local citizens feared that a big box store would destroy small businesses and ruin the pedestrian scale of the neighborhood. A group of 20 neighborhood associations swung into action against the chain. The group, called the Southtown Coalition, defeated Kmart before the local zoning board earlier this year by going door to door with a petition and packing board hearings with 150 to 300 people. Southtown, which has been talking with smaller stores about developing the location, brought the troops out again on Aug. 23 after Kmart reapplied to a city appeals board. “This is a multibillion-dollar corporation trying to shove a big box down our throats,” charges Kerri Bonasch, a marketing manager and resident who volunteers at the coalition.

After hundreds of battles nationwide, local antisprawl groups such as the Southtown Coalition now have a sophisticated body of knowledge about how to mount zoning battles and pass ref-

erendums to restrict store size. Activists haven't stopped big stores in their tracks, but they have blocked them in more than 120 locations, estimates Al Norman, the head of Sprawl-Busters, a nonprofit group. Some 40 or 50 such clashes are going on at any one time today, more than triple the number of a few years ago, he says. Perhaps three-quarters of the battles involve Wal-Mart Stores Inc., followed by Home Depot Inc. "The citizen's movement is costing the industry millions of dollars in lost sales, and at least \$200,000 to \$300,000 to campaign against us in

Cover Story

each battle," says Norman.

Wal-Mart CEO H. Lee Scott Jr. says that "without a doubt" his company faces more challenges to new stores these days, even though it wins many battles. A company spokesman estimates that activists block at least two to three new stores a year. Concedes retired CEO David D. Glass, now chairman of the Wal-Mart board's executive committee: "Retailers need to be more responsible to look and see if problems are being created" by big-box stores.

ANGRY MOMS. Some of the most extreme anticorporate language comes from parents opposed to advertising in schools. Many object to exclusive marketing deals signed by Coca-Cola Co., PepsiCo Inc., and other companies that pay schools for the right to sell their products in the classroom. Channel One Network became a target of their ire as soon as it was launched a decade ago. A unit of Primedia Inc., the service offers schools money, supplies, and programming in exchange for the right to beam ads to students on its classroom TVs. Some 12,000 schools have accepted the deal—but far from diminishing over time, the battles have become more intense.

When Diane Gramley, a mother of five, discovered last year that the Franklin (Pa.) high school her children attend carries Channel One, she formed a group with other parents. They agitate at every school board meeting to end the arrangement, distribute flyers by the hundreds, write op-ed pieces in the local paper denouncing the company, and now plan to petition parents to get rid of it. Like other Channel One foes, the parents object to their children's exposure to commercials at school. They also argue that the company's educational programming is mostly a waste of time that diverts children from their studies. "This is a big company preying on my children," says Gramley.

Similar battles are going on in hundreds of communities, says San Francisco's Center for Commercial-Free Public Education. The group, which provides resources to grassroots groups like Gramley's, says it gets some 100 requests a month for help. Channel One Network Affairs Executive Vice-President Jeffrey H. Ballabon dismisses all the attacks as the work of a small number of groups. He points out that 98% of schools renew their contracts to carry the station.

Assaults from citizens groups are bad enough, but for most executives, the most potentially hazardous attitudes lie with their own employees. The best economy in 30 years has brought a bounty of jobs and exuberant consumer spending. The competitive wars against Europe and Japan of the 1980s and 1990s have been won. But many employees in Corporate America think they're being worked to the breaking point by CEOs who aren't sharing the wealth. Last year, 43% of workers at large corporations said they "find it very difficult to balance my work and personal responsibilities," up sharply from 36% in 1997, according to Chicago's International Survey Research (ISR), which surveys employees at hundreds of large companies annually. Meanwhile, 44% said that they are "very much underpaid for the work I do," up from 38% two years earlier.

Such feelings reflect the stark discrepancy between the high productivity rate the U.S. economy has achieved in recent years and the slower pace of wage gains. This is one reason an astonishing 40 million employees say they would vote in a union today if given the chance, double the number of a decade ago, according to pollsters Peter D. Hart Research Associates. Organizing drives have ticked up in recent years, forcing companies to fight harder to fend off unions. But even though management still usually wins such battles, today's labor-short economy means that disgruntled employees have more options and can jump ship if companies don't respond to demands for higher pay.

Certainly, soaring profits and high CEO pay have embittered many employees who feel squeezed. Just ask Reed T. Hinchliffe, a 20-year veteran at Raytheon Co. The 58-year-old computer engineer

"There's a yellow light flashing now, and [execs] better pay attention," says pollster Daniel Yankelovich

stood up at the company's annual meeting in April and demanded that CEO Daniel P. Burnham return his \$900,000 bonus because the company lost \$181 million in the first quarter and its stock was trading at 20, down from a high of 76 last year. Burnham refused. "I asked him how he justifies this, but he just said: 'I intend to keep it,' like I was a peon and should shut up and leave him alone," complains Hinchliffe. He says he has personally talked to about 300 of the 600 people at his unit, a Defense Dept. computer complex in Northern Virginia,



HINCHLIFFE Asked Raytheon's CEO to return a fat bonus

and "they're virtually all ticked off." A Raytheon spokesman says Burnham told Hinchliffe that he respected his point of view.

Several factors have contributed to the ascendancy of the corporation in the past decade or so. The fall of communism and the triumph of Western capitalism set the stage, as did the rollback of government in the U.S. But mostly, it's the incredible success of the economy that allows companies to wield enormous power in American society today. With that power, however, comes added responsibility. Corporate executives would be wise to deal with the burden—and take

care to avoid the hubris that so often accompanies heady success. If they don't, a growing number of Americans stand ready to call them to account.

With Michael Arndt in Chicago, Wendy Zellner in Dallas, and Peter Coy in New York

BusinessWeek online

For additional stories, go to the Sept. 11 issue online at www.businessweek.com.

THE ART OF BUSINESS BASHING

Downtown Manhattan diva Princess Superstar (a.k.a. Concetta Kirschner) had her taste of being courted by the major music labels—the chauffeured Lincoln Town Cars and the lobster-and-champagne soirées. Problem was, the dealmakers who cooed to her about contracts and fame wanted her to stop rapping, or stop playing the guitar, or stop mixing her Lagerfeld with Kangol. Instead, they wanted this mother of flip-flop, a school that spans hip-hop to electronica, to create a value-meal version of herself that they could feed to the masses.

"They take away the creativity that led them to you in the first place," scoffs the Princess. "I was like: 'Screw everybody. I'm just going to do this myself.'"

So she went back to her life of day jobs and soggy, salad-bar lunches, maxed out her credit cards, and created her own label in 1997, satirizing music megamergers in CDs like *CEO*. The rock opera skewers Corporate America in songs such as *Stuck in a 401 K-Hole*, *Supersize the Downsize*, and *CEO*, in which she raps: "I'm makin' suckers wish that they never went to Wharton." The music has made her something of a cult hero. For sticking it to the big guys,

her fans only seem to love her more.

There's a long history of such corpo-

rate-machine shunners. But while it has often been the role of artists to challenge corporations, that attitude is now seeping into mainstream media, too. Witness the success of bands such as Rage Against the Machine and movies like *A Civil Action*, *The Insider*, and *Erin Brockovich*, based on real-life struggles against corporate giants. In the latter, a single mom battles an energy company, unmasking a concealed crime and winning millions in damages.

Sure, it's a gripping story. But many in the audience also lap this stuff up as vicarious revenge. After all, they're the ones who are watching executive pay mushroom as the New Economy passes them by. Consumers see corporations muscling in on everything from the Internet to strip malls, wielding more control than regular Joes could possibly combat. And just as some people are growing to resent the Starbucks-ing of their neighborhoods, they are growing to re-



RAGE AGAINST THE MACHINE *Ranting goes mainstream*

sent the way their art is getting commodified, too. At least the anticorporate artists appear to share their anger.

This is propelling the success of such performers as Ani DiFranco, who began by playing seedy dives and college bars. Nine years later, she has sold more than 3 million copies of her CDs without ever signing with a big label. DiFranco still lives in her native Buffalo and hires locals to run her label, Righteous Babe Records. On her most recent album, *To the Teeth*, DiFranco sings in the title song, "Open fire on Hollywood, open fire on MTV, open fire on NBC and CBS and ABC." Explains her manager, Scott Fisher, "by maintaining her independence, she can say and do anything she wants. She has the artistic control."

CARPING. True, artists have targeted greed and personal gain since Charles Dickens and Frank Capra. But corporations are especially tempting targets for this kind of venom now. After almost a decade of prosperity, there's a feeling that the real thing that's getting fatter is Corporate America's bottom line. For the rest of us? Punny raises, crappy airline service, and cheapskate HMOs, something even Al Gore is targeting.

In fact, carping against corporations is getting trendy. Corporations are fighting back the usual way—by co-opting the backlash. See those priceline.com ads? That's the once-fiercely independent girl trio Sleater-Kinney doing backup for William Shatner. And those moody Calvin Klein spots are now featuring erstwhile underground artists such as Liz Phair and Moby. By choosing these onetime rebels as their frontpeople, corporations hope the message will be loud and clear: We aren't corporate. We're cool. The question is, will anybody really buy that?

By Michelle Conlin in New York

Cover Story

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