

The Problem of Large Corporations

by
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The year was 1983. A very large, highly profitable corporation had just purchased a well-run corporation in Kansas City. A high-ranking officer from the acquirer flew down to Kansas City to address all the employee concerns about the future. He promised everyone that much would stay the same and that absolutely no one would lose their job. Most believed him.

Three months later, half the administrative staff, over 150 people were let go. Six months later, the Kansas City administration building was closed down completely. Only a handful of the original 300 were able to keep a job and only if they moved across the country. Everyone else was promised job-placement services or job-retraining. I was one of those fortunate ones on the right side of down-sizing. But it was all I needed to see. I knew that there would be a day that I would receive a pink slip if I continued working for this large corporation. I knew that I would become too specialized, too expensive or too old.

I know of no better economic system than capitalism. Within this system, corporations are an important form of ownership. Accumulating capital through stock ownership with limited liability has been something that has made our country progress.

As we know well in the valley, the decline of the steel industry in western Pennsylvania was brought about in large measure by foreign competition, high labor costs, and the lack of planning and reinvestment, specifically in modernizing mills. The decline of other manufacturing jobs throughout the US can not only be traced to those same factors but also to efficiencies brought about by technological advances. There are fewer factory jobs with the advent of such things as robotics.

True capitalists know market corrections are inevitable. They have to be expected. But over the last decade there has arisen a new form of job loss within even the non-manufacturing, service industries that has left even ardent capitalists like myself scrambling for an answer. It has little to do with inefficiencies or the inability to compete. Instead, it involves the fundamental issue of large, corporate ownership.

Over the last decade, many in our valley have personally witnessed and have been victimized by mergers, acquisitions, down-sizing or (the politically correct) right-sizing. In some cases, these market adjustments admittedly have been necessary to compete globally. But in too many cases the pressure for short-term profit maximization has been the sole basis. In its path, human dignity has been trampled. Employer and employee loyalty has become an extinct notion. And a climate of corporate demoralization has become increasingly prevalent. The day won't be too far when layoffs are determined by something inanimate with a neural net.

Could short-term squeezing be long-term siphoning? Yes! The ATT announcement a few months ago spinning off the former NCR was a classic example. Here, a mammoth corporation all but admitted that they had failed miserably by taking over NCR. It would appear that the pressure for short-term profit maximization leads to long-term instability. It discourages innovation, reinvestment and breeds an atmosphere of employee apprehension. It can also destroy entire communities.

Allegheny Ludlum is an exceptional corporation in my opinion. Imagine if Allegheny Ludlum were ever bought out by some huge corporation for diversification purposes. Even if all the area jobs were somehow miraculously retained, you can bet the farm that the contributions to our community would diminish immediately. The city of Pittsburgh can testify to that.

If you own stock in a large corporation, consider the investment opportunities right here in the valley. Access to information and communications give small towns in the valley a golden opportunity on which to capitalize if we have some capitalist foresight. Tools such as the Internet are becoming great equalizers for small business marketing and selling. Efforts enticing established corporations to relocate in the valley are fine. But efforts nurturing a climate of entrepreneurial enterprise are better. The tool & die shops which have sprouted throughout the valley in recent years are excellent examples of the new wave of a solid future here.

The community benefits of small corporate ownership usually include a solid corporate conscience. Here's to hoping that we encourage our youngest and brightest to dream of building their own businesses in our backyard.



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