

Campaign GM: Corporation Critics Seek Support of Universities

When you talk about violence don't talk about the Black Panthers, talk about General Motors. . . . There is a total breakdown of law and order with respect to corporate crime.—Ralph Nader, consumer advocate, campus folk hero, and a prime mover in the Campaign to Make General Motors Responsible.

Nader's rhetoric and way of thinking is more congenial to students and radicalized faculty members than it is to the bankers, investment brokers, corporation lawyers, and business executives strongly represented on university boards and investment committees. Yet many leading universities hold stock in General Motors, the very symbol of big corporate enterprise, and those that do must decide a delicate if not embarrassing question before GM's annual stockholders' meeting on 22 May. The question is whether these institutions shall let the GM management vote their stock (usually routine in the past), or, instead, whether they shall support a campaign to initiate reforms from within the company through pressure from stockholders and the general public. This effort, launched with Nader's help and called "Campaign GM," already is gathering significant student support on some campuses.

Prodding the Giants

Getting the support of leading universities and other prestigious institutions is the key to the Campaign GM strategy. Whatever the campaign's outcome in terms of votes and stock proxies obtained, already it is clear that officials at Harvard, M.I.T., Yale, Columbia, Stanford, Michigan, the University of Pennsylvania, and other universities are being confronted with the "corporate responsibility" issue. In fact, the campaign is manifesting itself in part as a new campus phenomenon. In Campaign GM, students seem to have found an ingenious alternative to staging sit-ins and picketing corporate recruiters as a means of prodding the giants of industry to move faster in reconciling profit objectives with the re-

quirements of a humane society and a clean, healthful environment.

In recent years General Motors, stung by Nader's criticism and faced with new federal laws setting safety and pollution standards, has taken major steps to build cars which are safer and which are less prone to pollute. These advances are continuing, but not at the pace which Nader feels is possible and desirable.

Two Campaign GM proposals—and the ones that GM's university shareholders are now having to decide whether or not to support—call for the election of three "public" representatives to the GM board of directors and the creation of a shareholders' committee on corporate responsibility. The committee, which would report to the 1971 stockholders' meeting, would be instructed to look into GM policies as they relate to such problems as air pollution, highway accidents, racial injustice, and the nation's lack of effective low-cost mass transportation.

Because Nader has a \$17-million invasion of privacy suit pending against GM (which once had him under surveillance by private eyes), he is not formally part of the Campaign GM team and several young attorneys (members of the new breed of "public interest" lawyers) are officially in charge. But, acting as a campaign spokesman and de facto leader, Nader announced the campaign at a Washington press conference early in February. Corporations, he said, produce, process, and market most of the nation's goods and services and constitute a power grid that shapes the actions of men in both private and public sectors. "Yet," he added, "far less is known about the actual operations of the giant corporations than any other institution in America, including the national security agencies. . . . [But] corporate imprints are reflecting themselves in growing violence to our air, water, and soil environments, in imbalanced consumer and producer technologies that harm their users and dehumanize their operators, in the colossal waste and depreciation of consumer goods and services and

in the Moloch-like devouring of a society's resources to the detriment of sane and human allocation of these resources to meet the needs of all the people by superior distribution and innovation."

According to Nader, the choice for citizens is one of either suffering increasing corporate predation or bringing about an "accountability of corporate power to the people" by gaining access to company information, asserting an effective voice in company policies, and insisting on remedies for unjust treatment. At its stockholders' meeting in May, he said, "GM may be the host for a great public debate on the giant corporation rather than a wooden recital of aggregate financial data." Campaign GM's closest precedent was Saul Alinsky's successful effort in Rochester several years ago to goad Eastman Kodak into setting up a hiring and job training program for blacks. Alinsky, itinerant community organizer and professional radical, did this by soliciting proxies from Rochester churches which held Eastman Kodak stock, thereby demonstrating that moral persuasion, skillfully applied, is a potent tool.

Campaign GM is supposed to be the start of a broader effort known as the Project on Corporate Responsibility, to be directed at corporations generally. The future of this larger, longer-term effort, however, depends on whether the wherewithal can be found to maintain a staff and carry the project forward. The Stern Family Fund, a small foundation in New York, has given a \$30,000 grant for Campaign GM, this being by far the largest contribution received from any source. Thus far, the workers in the campaign have been paid next to nothing.

Diffusion of Ownership

Part of the intellectual underpinnings of Campaign GM can be found in *The Modern Corporation and Private Property*, a book published in 1932 under the authorship of A. A. Berle, Jr., and Gardiner C. Means. Berle and Means were the first to call attention to the fact, now commonly accepted, that in most cases the control of large corporations has passed from the owners—that is, the stockholders—to the corporate managers. Ownership has become so widely diffused that shareholders seldom can exercise much influence over corporate affairs.

In theory, corporate sovereignty lies with the stockholders and they elect as

their representatives the directors who, in turn, appoint and oversee the managers. In practice, things work differently and General Motors provides what Nader regards as the quintessential example of how they do work. At the end of 1969, GM had more than 285,694,000 shares of common stock outstanding, owned by 1,363,000 shareholders, 79 percent of whom have 100 shares or less. Before each annual meeting proxies are solicited by GM's board of directors, chaired by James M. Roche, the company's chief executive officer (five other GM officers, plus a former GM president and two former chief executive officers and board chairmen sit on the 24-member board). Thus while some 700 persons actually attended GM's annual meeting last May, 845,000 others were represented by proxy—proxies that had been turned over to the board of directors, which, if it is not actually a creature of management, is certainly not independent of it.

Princelings of a Superstate

GM's officers are in truth the princelings of a private superstate. Operating worldwide, GM last year had 794,000 employees and gross revenues of \$24,300,000,000, a sum greater than the revenues of any government except that of the United States and that of the Soviet Union. In essence, what Campaign GM seeks to do is to call into question the "legitimacy" of management's near-monopoly on corporate power. Although some would regard the campaign as radical in its ultimate aims, Nader says that it is based on such time-honored principles as due process, fairness, free competition, and open and responsive government.

Although an appeal for proxies is being made, the leaders of Campaign GM (who would be dismissed as quixotic if Nader had not in the past been such an accomplished performer in the role of little David) are not trying to win a proxy fight with the GM management. "The purpose of this program in the first round this year is to show what a rigged system the whole GM shareholder situation is," Nader has said.

Campaign GM's candidates for the three new seats which Nader and his associates hope to see created on the company's board of directors obviously have been selected as much for their symbolic value as for their personal merit. They are Betty Furness, who was President Johnson's special assistant for

consumer affairs; René Dubos, microbiologist at the Rockefeller University and a prominent environmentalist; and the Reverend Channing Phillips, a Negro who at the Democratic National Convention in 1968 was named a candidate for the presidential nomination and who is now Democratic National Committeeman for the District of Columbia.

Nine Campaign GM proposals are to be presented at the stockholders' meeting and the GM management will oppose them all. Besides the proposals to enlarge the board of directors and establish a shareholders' committee, there is one to amend the corporate charter to provide that the company

shall carry on no activities detrimental to the public health and welfare or in violation of law. In addition, there are six proposed resolutions calling for a vastly greater commitment by GM to the solution of such problems as air pollution, mass transit, racial discrimination, and the development of a car that can be crash-tested against a solid barrier at 60 m.p.h. without injury to passengers wearing shoulder restraints.

General Motors contends that the purpose underlying Campaign GM is to inject into GM's decision-making persons who have no investment in the company and no direct interest in its financial success. This clearly is the case.

Curbs on 2,4,5-T Use Imposed

The federal government took steps last week to halt the domestic use of the controversial herbicide 2,4,5-T (2,4,5-trichlorophenoxyacetic acid) and ordered the suspension of its use as a defoliant in Vietnam.

The Secretaries of Interior, Agriculture, and Health, Education, and Welfare announced that new information had indicated that 2,4,5-T could produce abnormal development in unborn animals. The first indication of this came in the fall of 1966 from Bionetics Research Laboratories. After review of this data, White House science adviser Lee A. DuBridge announced last October (*Science*, 21 November 1969) that 2,4,5-T usage would be restricted after 1 January. The manufacturers pointed out that the samples of 2,4,5-T used in the studies were contaminated by dioxins at a level of 27 parts per million. Government action was delayed until last week; the delay has been attributed to uncertainty as to what had caused the birth defects—2,4,5-T or the dioxins. Last week, researchers at the National Institute of Environmental Health Sciences were reported to have conducted further experiments on animals which showed that 2,4,5-T alone, as well as dioxin, could cause deformities in mice.

The most controversial use of 2,4,5-T has been as a defoliant in Vietnam. The AAAS has tried, for 3 years, to obtain scientific studies on herbicide use in Vietnam, but the Defense Department has taken no action. Over the past 9 years, an estimated 40 million pounds of the herbicide has been sprayed across at least 5 million acres of Vietnam. DuBridge's announcement last October said also the Defense Department had been directed to restrict its use of 2,4,5-T to "areas remote from population"; the Defense Department said no change would be needed in its policy, because its present policy conformed to this directive. In conjunction with the domestic restrictions announced last week, however, Deputy Secretary of Defense David Packard ordered the immediate suspension of the use of 2,4,5-T "pending a more thorough evaluation of the situation."

In domestic action, the registration of liquid forms of the herbicide was suspended by the Agriculture Department, making interstate sales illegal. Nonliquid forms of the herbicide, not considered imminently harmful, will remain on sale until hearings and possible appeals are completed. The ban does not affect the use of 2,4,5-T for control of weeds and brush on range, forest, pasture, and other nonagricultural land; it does affect its use around the home and on lakes, ponds, and ditch banks. Nonagricultural areas account for most of the use of the herbicide in the United States, however. An estimated 42.5 million pounds of 2,4,5-T was produced in 1968, with sales grossing \$30 million.—NANCY GRUCHOW

The proposed committee on corporate responsibility would have from 15 to 25 members representing the GM management, the United Auto Workers (UAW), environmental and conservation groups, consumers, the academic and scientific communities, civil rights organizations, small shareholders, and religious and social service organizations. They would be selected by a panel of three representing GM's board of directors, the UAW, and Campaign GM and would act by majority vote. According to GM, "the only thing that the majority of such a committee might agree upon would be a determination to remake General Motors."

At first, General Motors, citing various rules and precedents of the Securities and Exchange Commission (SEC), planned to omit from the proxy statement to be sent to stockholders all nine of the Campaign GM proposals. Had this decision not later been partially reversed, most stockholders would have no chance to vote on any of the proposals. The mailing of proxy materials to the 1.3 million GM shareholders costs, in postage alone, over \$81,000—a sum far beyond Campaign GM's meager resources.

No Ducking the Issue

The SEC, however, has required GM to include in the proxy statement, which was mailed to shareholders on 9 April, the two Campaign GM proposals for the enlargement of the company's board of directors and the appointment of a committee on corporate responsibility. By this action, the SEC has made it hard for universities holding GM stock to duck the corporate responsibility issue, especially in light of the increasing interest in that issue among students and faculty. The issue clearly is one many universities might have preferred to duck. All institutions are now caught in a financial bind and this is not a convenient time for them to abandon their usual policy of judging investments strictly on their profitability or lack of it.

The corporate responsibility issue arises at a time when university students, who remain in a continuing state of ferment, seem especially susceptible to arguments for corporate reform. Fairly or not, large corporations are identified by many students with the Pentagon and the Vietnam War; Dow Chemical and its napalm contract (which Dow no longer has) have provided students with a symbolic target. And, this year, environmental

problems are a major concern on campus and Campaign GM offers students an outlet for their desire to strike a blow against pollution.

In March, leaders of the huge environmental teach-in held at the University of Michigan took a step likely to be duplicated by leaders of many of the "Earth Day" observances being held on other U.S. campuses this week: they urged university officials to vote the university's General Motors stock in support of the Campaign GM proposals.

This was done after a campus appearance by Nader, who has become an institution at colleges and universities as well as in Washington. (Some 3000 students already have applied to work in Washington with Nader this summer, far too many even for his ambitious forays into the bureaucracy.) In this case, however, there was little further student involvement in the university's consideration of the proposals, and last week Michigan's Board of Regents decided that it will follow precedent and again support the GM management.

Many leaders of corporations, including those at GM, have themselves been talking increasingly in recent years about the responsibility of their companies to be socially virtuous as well as profitable. And within university schools of business some students and faculty members are keenly interested in the corporate responsibility issue. Ironically, the student effort at M.I.T. in support of Campaign GM was initiated by a senior at the Sloan School of Management, named for the late Alfred P. Sloan, who led General Motors in its rise to preeminence in the auto industry. At the University of Pennsylvania, four professors at the Wharton School of Finance and Commerce have urged the university to support Campaign GM.

And at the University of Michigan, David L. Lewis, a full professor in the Graduate School of Business who was a public relations man and speech writer for top GM officials from 1959 to 1965, favors the corporate responsibility concept, provided that it is applied by "constructive industry critics" like Nader and not by campus radicals. "I have a lot of confidence in Nader," says Lewis. "I've believed in the guy since I first heard about him in 1965. He's one of the towering figures of our time."

A fourth of the students in Stanford's Graduate School of Business are

active in the work of a committee on corporate responsibility which was formed last fall. Charles Gaffin, spokesman for this group, speaks disapprovingly of Nader, describing his attitude toward business as "antagonistic and dysfunctional." But Gaffin's committee recently asked Stanford's board of trustees to take social responsibility issues into account in its investments and to vote its stock at shareholders' meetings to elect "socially conscious" directors.

If General Motors and other large companies should yield to demands for such things as public representation on boards of directors, they will not do so out of fear of the universities' voting power at stockholders' meetings. GM shareholder lists are kept confidential but it is clear that all of the university holdings combined are a minuscule part, probably less than 1 percent, of the total amount of GM stock outstanding. Harvard, with some 287,000 shares, is believed to own more GM stock than any other university (M.I.T. is next with 274,000 shares), but its holdings represent only about 1/10 of 1 percent of all GM shares.

Potential Market Influence

On the other hand, 12 percent of GM's stockholders are institutions or groups, such as universities, foundations, church organizations, pension funds, and insurance companies. Collectively, their holdings are substantial and these institutional shareholders would exert a major market influence if they began selling off their shares. The attitude of leading universities toward GM will undoubtedly influence the thinking of some of the other institutional shareholders. Universities and certain other institutions holding GM stock have overlapping constituencies. This is true, for instance, in the case of the College Retirement Equities Fund (CREF), which holds 580,000 shares of General Motors.

If universities embrace the corporate responsibility concept, either as propounded in Campaign GM or as they may choose to modify it, intellectual and social influences could be as important as raw pressures in changing corporate policies. For instance, the schools of business maintain close relations with leading industrialists (Arjay Miller, dean of the Stanford business school, is a former president of Ford Motor Company) and are a source of ideas as well as junior executives. Corporate managers and directors

will also be influenced through their membership on the boards of universities, foundations, and other institutions—and through the membership of university officials on corporate boards.

Since the explosions of student unrest at Berkeley, Columbia, Harvard, Stanford, and other institutions, nearly all major universities are, in various ways, allowing students an increasingly large voice in university policies. Columbia provides a striking case in point. There, a student-sponsored resolution, calling for the trustees to support the Campaign GM proposals for the election of public representatives to the GM board of directors and for the appointment of a shareholders' committee on corporate responsibility, was adopted by a vote of 60 to 7 last week by the new University Senate. This body, in which students and faculty (nontenured as well as tenured) hold more than three-fourths of the votes, is the first of its kind to be established in a major American university. It was created last year as a direct outgrowth of the student demonstrations in the spring of 1968. On a matter such as the Campaign GM proposals the trustees will not have to accept the Senate recommendations but, if they do not, they will be expected to give an accounting.

Liberalizing Trends

So, while prominent industrialists, corporation lawyers, and businessmen are still heavily represented on many university governing boards, their role is often one of accommodating university policies to student and faculty pressures. At Stanford, the corporate responsibility issue is being considered by a board of trustees which includes a number of major figures from industry and business. But the makeup of this board is undergoing liberalizing changes, two professors (from Berkeley and the University of Washington) and a former president of Stanford having replaced three industrialists who left the board last year. Moreover, over the next 3 years eight Stanford alumni will be added to the board, and four of them must be no older than 35. One indication of the way the board is swinging with the times can be seen in the fact that the small trustee committee now reviewing the Campaign GM proposals includes a student and a professor among its members.

As it happens, none of GM's executive officers are members of the M.I.T. Corporation. But, James R. Killian, Jr., chairman of the M.I.T. Corporation,

is a GM director and he could soon find himself arguing for corporate responsibility proposals within GM's own councils. M.I.T. is approaching the Campaign GM proposals cautiously, but there seems a good possibility that it will send a delegation to the GM shareholders' meeting with instructions to support certain corporate responsibility proposals.

All of the Campaign GM proposals were not endorsed in a report recently approved by the M.I.T. undergraduate assembly but several were, including the one for the election of public representatives to the GM board of directors. While the establishment of a shareholders' committee on corporate responsibility was also recommended in the assembly's report, exception was taken to the Campaign GM plan to have the members chosen by a panel on which Campaign GM and the UAW would have the majority voice. The corporate responsibility issue is now under study by the M.I.T. Corporation's Joint Advisory Committee. Last week this committee, on which the Corporation, the faculty, and the student body are represented equally, conducted a hearing at which witnesses from General Motors and Campaign GM appeared. The questioning of these witnesses is reported to have been penetrating and thorough.

For Campaign GM, the few weeks remaining before the shareholders' meeting on 22 May are critical. Regents at the University of Texas as well as those at the University of Michigan have refused to support the campaign. And last week the University of California regents rejected a proposal to support Campaign GM, electing instead to let their investment committee decide how to vote the university's 100,000 shares. An action by the University of Pennsylvania trustees' investment committee has been widely interpreted as a commitment to support Campaign GM; but, in fact, the committee merely gave its chairman, Howard Butcher III, a conservative Philadelphia broker, discretionary authority in the matter.

As noted earlier, a number of major institutions still have the Campaign GM proposals under study. This is true at Yale, for example, where the campaign has a partisan in Mayor John V. Lindsay of New York (a Yale trustee), who has asked that his city's employee pension system support the campaign proposals calling for a greater effort by GM in air pollution control and mass

transit. At Harvard, George F. Bennett, the treasurer, appeared to give short shrift to a request in early March by the Harvard Young People's Socialist League for the university to support Campaign GM. Since then, however, the Harvard Corporation has taken up the question and asked for further student and faculty comment.

If some major institutions do support Campaign GM and thus endorse the corporate responsibility concept, another question immediately arises. Is it even possible for an institution such as M.I.T., holding stock in scores of companies, to determine which of these are socially virtuous? Some type of corporate responsibility index clearly is needed—a kind of "Dunn and Bradstreet" rating system by which criteria with respect to such things as pollution control, land-use practices, product safety, minority hiring, and the makeup of boards of directors would be applied. To devise such an index would not be easy and the problem of gaining access to reliable information would be formidable. The committee on corporate responsibility at Stanford's Graduate School of Business has, however, undertaken to develop such an index, at least experimentally, over the next year and a half.

Not Morally Neutral

Campaign GM rests on the proposition that to invest in a company is not a morally neutral act and that the investor should use his influence as a shareholder, such as it is, in the interest of good corporate behavior. To this there is the corollary that universities have never really been aloof, as institutions, from the tensions, the social struggles, and the "environmental violence" (to use Nader's phrase) associated with corporate behavior. By their policy of taking only financial performance into account, these institutional shareholders have made their comment on events. Campaign GM is pressing them now for an explicit comment on the social dimensions of corporate behavior, demanding in effect that they put their consciences where their money is.

—LUTHER J. CARTER

Erratum: In the article "Dominance and the niche in ecological systems" by S. J. McNaughton and L. L. Wolf (p. 131, 9 Jan.), equation 4 on page 132 should read

$$W = \left[\frac{\sum (y_p \cdot p^2) - [\sum (y_p \cdot p)]^2 / \sum y}{\sum y} \right]^{1/2}$$

Erratum: The title of the report by L. Ehrman (p. 905, 6 Feb.) should have read "Simulation of the Mating Advantage of Rare *Drosophila* Males." Through an oversight, this correction was not made here.