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**How to Prevent American Business Practices from  
Turning Your Country into a Banana Republic**

American businesses have made everyone in America rich?  
Right? - Wrong! American businesses have created a structure  
of property in America that most people regard as fair? Right?  
Wrong! Everybody in America has an equal opportunity to be a  
millionaire? Right? Wrong!

America is not the country you think it is, and I doubt it is  
the type of country you want yours to become. Given your

abilities, education and natural resources, you can do much better than America.

So what is so bad about America -- it is unfair, very simply: unfair. America's motto should be "From each according to his fragility's, to each according to his greed."

Here are a few facts about America:

- The top 1% of households own 35% of all the wealth in America (over \$5 trillion) and 45% of all the financial wealth.
- A household in the top 5% makes 20 times more than a household in the bottom 20%.
- The average net worth of a household in the top .5% is \$9 million; the average net worth of a household in the bottom 40% is zero.

- Between 1977 and 1989, incomes for Americans increased. The increase was around \$600 billion. Of that increase, the top 1% of households got 77% or \$462 billion of the increase.
- In 1989 the average income for the top 1% of households was \$560,000; for the bottom 20% was \$8,400 - a 66 to 1 discrepancy.
- Taxes for a middle class U.S. family have doubled in the last 12 years.
- Average weekly wages are now less in real terms than they were in the early 1960's.
- Since 1979, the group of people earning below poverty wages grew from 12% to 18% of the work force.

- America is ranked 56th among all the world's nations in immunizations and ranks behind Cuba in infant mortality.
- 25 million Americans, 1 in 10, are now on food stamps.
- 40 people every working day die from occupational injuries (94% are men); 400 die a day from occupational-related diseases.
- There are an estimated 45,000 sites in America that are polluted with radioactivity; 20,000 are controlled by the Federal Government.
- 11% of the work force or 13 million workers are unemployed in America.

Much of America's wealth goes to a few rich families and most of the misery to the rest of American families.

What actually exists in America is a relatively small group of households controlling, through their shares of stock, a relatively small group of corporations that accounts for nearly one half of America's economic activity. These wealthy Americans are to my country what your Communist Party was to your country and what the former nomenklatura and bolshaya shyshka want to become.

This economic dominance by giant corporate entities that are in turn controlled by a small percentage of the households in America results in the power to monopolize markets, to collude with one another to keep prices high, to break unions and to control much of the lives of the rest of Americans. Corporations possessing such economic power do not voluntarily agree to meet even minimal standards of pollution control, worker safety, product safety, livable wages or reasonable taxes.

Since self-interest is the primary concern of America's wealthy and self-interest in America is best protected with money, profit is the creed of the rich and the corporations they control.

Accordingly, these corporations oppose or dilute regulations that restrict profits regardless of the benefits such regulations will provide the general public. Wealthy corporations have fought regulations since the late 1800's, turning America into a society ruled by economic Darwinism as opposed to fairness.

This is not to say that America does not have some effective regulations, but since all business regulations in America have been enacted in an environment in which a small number of families controlled vast amounts of wealth, these families have been able to delay for decades regulations

controlling corporate activities that injure the public.

Furthermore, in the few instances when it becomes expedient for propaganda purposes to allow the enactment of a regulation, usually because of public outrage over some abhorrent corporate act, the regulation is either too weak to solve the problem, or it is not vigorously enforced.

The underlying problem with America is the same as the underlying problem with your country before and after the August coup attempt -- so many have too little because so few have too much. America has its group of families who through their wealth exercise a disproportionate influence over the political, economic and social life of the republic; the Soviet Union had the Communist Party which did the same in your country. Now, however, for your country there is a transition: the former nomenklatura and bolshaya shyshka are trying to

maintain their positions of influence and privilege by becoming rich -- just like American capitalists. In other words, some people in your country seek to create through a so-called free market a small group of wealthy families that will rule Russia as a shadow government, just as a relatively small number of wealthy families rule America.

For example, in Russia some large farm collectives openly fix prices so retailers and therefore consumers are forced to pay high prices for questionable goods. Distributors also fix prices such as the regional consortiums of dairies. In January 1992, Moscow region's dairy association offered the Moscow milk processing monopoly milk at an inflated price. Later, a delegation of dairy directors from the Tver district offered milk at exactly the same price. Clearly, the dairy associations had agreed to fix their prices at the same inflated level. This will



make the directors very wealthy in the long run. In the late 1800's, American trusts did the same helping to create the fortunes of Rockefeller, Morgan, Carnegie and others.

Other examples abound:

bureaucrats and enterprise bosses steal state assets and sell them to the retail market keeping the profits for themselves;

- bureaucrats require bribes for export licenses and quota approvals;

bureaucrats distribute foreign aid to their own or a relative's private shop that in turn sells the free aid at inflated prices to consumers;

bureaucrats use their ministry budgets to buy from their own private enterprise assets they have stolen and consulting services that are useless;

commercial banks borrow rubles at negative interest rates from the Central Bank and buy hard currency instead of lending it all to enterprises or consumers;

the money commercial banks do lend to enterprises is used to buy hard currency so the enterprise can import Western goods, sell the goods and the bosses keep the profits;

bureaucrats continue to use the domestic and foreign trade organizations to <sup>export</sup> goods from enterprises at below market price and then sell these goods within Russia or overseas <sup>at</sup> a high market up and deposit the profits in their bank accounts in Russia or offshore;

the goods enterprises sell the state at fixed, low prices are diverted by bureaucrats to their own private retail businesses; and

one cannot but wonder what happened to all the hard currency accounts in the <sup>V</sup>nesheconombank.

The list goes on and on and on.

Russia's wealthy businessmen, or as I call them, biscrats or as you call them, mafiosi, will eventually, if they have not already, ally themselves with American businesses to export vast amounts of raw materials. In return, America will export manufactured goods and agriculture products that will be purchased with the hard currency gained from the sold raw materials as well as loans from the West. The result could be very similar to Latin America which functions as a cheap source of raw materials for American capitalists and a key export market for American goods. The economies of the entire continent of South America are predominantly influenced by American banks and the U.S. Government because of their large

indebtedness to America. The same could happen in Russia where a small band of individuals become enormously wealthy by dealing with American, European and Japanese businesses. These wealthy Russian individuals will eventually control the government, the legislature and control much of the means of production; then it will be too late to establish laws that ensure a fair rather than free-for-all market.

The time then to act is now, before vast amounts of wealth and therefore power become concentrated in the hands of a relatively few. Russia does not yet have cohesive class of wealthy businessmen wielding extraordinary economic and political power that can block business regulations that protect the public from unchecked avarice. At the same time - and this is very important - effective regulations need not destroy

incentive, innovation or the ambition to achieve material well-being.

Although it is important to establish a capitalist system because it is the most effective means of creating wealth, a successful capitalist system is not dependent on a handful of families owning 35% of the wealth that the system creates.

Regulations such as the following can assure both success and fairness:

1. An upper limit on the net worth for all households would avoid high concentrations of wealth and distribute your nation's wealth more equitably, but would not destroy incentive as does an economic system that guarantees certain minimum payments regardless of productivity. A net worth limit of one million or two million U.S. dollars per household should provide more than enough incentive for persons (now owning

virtually nothing) to take risks, to use their ingenuity and to work long hours for the material rewards of success. Once a successful businessman, professional or any other worker or capitalist reaches the net worth limit, he may retire with his wealth, continue working without material reward but still earning all the psychological benefits that come from exercising his talents and knowledge, or use his knowledge and experience for the public good. The limit on net worth would make it possible for many more persons to participate in and contribute to the creation of wealth in your country, avoid the growth of a moneyed ruling class and still offer material incentives to inventors, innovators and hard workers.

2. A windfall profits tax on American corporations that set up businesses here. If an American corporation is in a joint venture with a Russian business, then have the windfall profits

tax apply only to the American company's share of the joint venture's profits. A windfall profits tax applies to profits over a certain amount and at a much higher rate than the normal tax on profits. For example, if the normal tax on profits is 40%, a windfall tax might be 70% on profits over a certain amount. Windfall profits taxes curtail a company from maximizing profits by cheating consumers, exploiting labor or polluting the environment. Windfall profits taxes also prevent monopolies and oligarchies from using their market power to charge high prices that are unrelated to their expenses. In addition, a company will be able to reap windfall profits when the expense in producing its product does not reflect the true cost of the product. For instance, the cost of cleaning up pollution or compensating workers injured in the production of a product should be born by the company -- not the taxpayer. If these

costs are not part of a company's expenses, then it is reaping windfall profits.

American businessmen and their allies in the American government will criticize and whine about a windfall profits tax. They will also threaten not to invest if such a tax exists, but they will be lying. An American corporation generally makes a profit of 5 to 7% a year. If a windfall tax were enacted here that took effect at 12%, that would allow American corporations to make an additional 5 to 7% over their normal profits. Once your political and legal situation stabilizes, that 5 to 7% extra will be plenty enough to attract American companies. Windfall taxes are not unknown in America, they were used against oil companies during the 1970's oil embargo. Oh, by the way, until your political and legal situation stabilizes, there will be only minuscule amounts of American investment even were there no



taxes at all.

For Russian companies and Russian partners in joint ventures, you could have a windfall profit reinvestment rule rather than a tax. This would simply require a Russian company to reinvest into its business profits over a certain amount, rather than paying the profits out to the owners. This rule could also be limited to large capitalized companies so the small to medium sized family businesses could continue to support their owners from the business' profits.

3. Antitrust laws can be used to break up monopolies and oligarchies that, because of a lack of competition, charge inflated prices. By breaking up monopolies and oligarchies, competition will increase because there will be more companies producing a product or providing a service. One or more companies will try to increase business by cutting their prices

and in order to cut prices, they will have to increase efficiency.

So the net result is increased efficiency and lower prices.

4. Laws against price fixing, which is an agreement to affect or inhibit price competition. The prohibition covers agreements among sellers to establish maximum or minimum prices at which certain commodities or services are offered for sale, agreements among sellers to change prices of goods or services simultaneously or not to advertise their prices, and agreements between sellers and purchasers to fix the price at which a product must be sold.

5. Laws prohibiting market allocation or market division where competitors agree not to compete with each other in specific markets, which may be defined by geographic area, type of customer or class of product.

6. Laws prohibiting boycotts, which are agreements among competitors not to deal with a supplier or customer. An example would be where General Electric, Whirlpool and Frigidair (competing manufacturers) agree not to deal with any wholesaler of their products who does not follow their pricing policy.

7. An unfair competition law that prevents businesses from taking unfair advantage of their competitors. Such a law prohibits the unauthorized use of trade secrets, trade symbols, copyrights and patents. A Russian business would be unlikely to invest resources in research and development unless its inventions, discoveries and processes were protected by patents and trade secrets. Additionally, a business would not devote time and money to marketing its goods or services if its trade symbols were not protected. Furthermore, without copyright

protection the publishing, entertainment and computer software industries would be vulnerable to having their effort pirated by competitors.

8. Federal securities regulation prevents fraudulent practices in the sale and purchase of securities; thereby, fostering public confidence in the securities markets. There are two main statutes in America: Securities Act of 1933, which focuses on the issuing of securities, and Securities Exchange Act of 1934, which regulates the trading (buying and selling) of already issued securities.

The 1933 Act has two main objectives: 1) to provide investors with necessary information concerning securities newly offered for sale to the public, and 2) to prohibit misrepresentation, deceit and other fraudulent acts and practices in the sale of newly issued securities.

The 1934 Act's provisions 1) required most publicly held companies to register with the government and submit periodic reports; 2) prohibited the use of fraud in selling or buying securities; 3) prohibited the directors, officers, employees and others from using information not available to the general public in buying or selling securities (insider trading); and 4) regulated proxy solicitations and tender offers.

9. Reasonable environmental regulation allows a reasonable profit and saves the astronomical costs of cleaning up a polluted environment and providing medical care for people harmed by the pollution. Environmental regulations increase the cost to produce a product or service and that cost is passed along to the consumer. The consumer can then reach a knowledgeable decision whether to pay the price for a product or service because the environmental cost is included in the

price. Without regulations to protect the environment, the price of a product or service initially is less but the consumer will eventually end up paying in taxes the governmental cost to clean up the pollution caused by the producer. Without environmental regulations, the consumer, therefore, buys a product or service without knowing its real cost. It is as if you bought a bottle of volka at the store price and then a year later you get a bill telling you to pay more. Maybe you would not have bought that bottle of volka if you had known what it was really going to cost you. Maybe you would have bought wine instead.

Furthermore, it costs less to prevent pollution than to clean it up, even if you discount the future costs of cleaning up the environment back to a present value. Many of the businesses in your country that will be put up for sale have environmental problems. These problems reduce the price you can get for

these businesses because the buyer will reduce what he is willing to pay by the costs of the clean up.

10. Consumer protection regulations require businesses to produce products and provide services that do not present an unreasonable risk of injury to the consumer. In the 1970's in America, 20 million people were injured each year using consumer products, 110,000 permanently disabled and 30,000 killed. That is a good argument for consumer protection laws.

11. Labor regulations can provide workers with the right to self organization, to form, join and assist labor organizations, to bargain collectively through representatives of their own choosing and to engage in concerted activities for the purpose of collective bargaining. Regulations can also prohibit employers from interfering with employee's rights to unionize and bargain collectively, dominating a union, discriminating against union

members, discriminating against an employee because he has filed a charge against an employer and refusing to bargain in good faith with the duly established representatives of the employees.

Without such rules, workers would be at the mercy of employers. Workers could be dismissed without cause and they would have no bargaining power to raise their wages because they would have to negotiate individually with an employer. They would essentially be nothing more than slaves or serfs.

These are just some regulations that your government can enact which will attract foreign investment and encourage capitalism at home by allowing reasonable profits. These and additional regulations, however, will prevent the growth of a class of wealthy rulers who will run Russia for their benefit and not yours. Furthermore, such regulations will provide a



predictable environment in which business can flourish but not  
abuse the environment, workers or consumers.