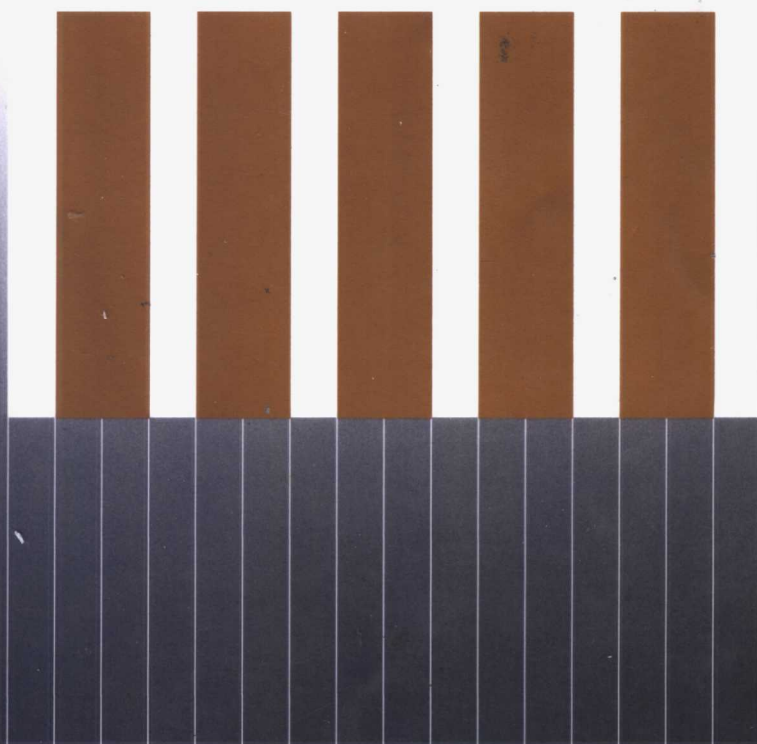

ELITE DEVIANCE

THIRD • EDITION



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D. STANLEY EITZEN

◆ ◆ Elite Deviance

Third Edition

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◆ ◆ Preface

This third edition of *Elite Deviance* went into production shortly after the close of the most corrupt presidential administration of this century. The Reagan era will be recorded as having encouraged both corporate deviance and political corruption in ways never before realized. As we have documented in this new edition, the institutionalization of immorality among the nation's power elite has reached alarming proportions. Our time is characterized by what we refer to as "the scandalization of America" (see Chapter 9).

To say that America is now a scandalized nation emphasizes not only the presence of more scandals than in the past but the interrelationships among various scandals, as well. Considering that the major scandals of the past several years have involved the same people—using the same rationalizations and having the same motives—presents an entirely new set of challenges to the study of criminology and deviant behavior. The *higher immorality* of which C. Wright Mills warned us has now reached conspiratorial proportions that Mills himself could not have imagined. These new dimensions of elite deviance, we believe, pose genuine threats to democratic government and thus deserve careful attention from students and theorists alike.

Two perspectives of elite deviance continue to influence our views. First, we persist in the belief that the term *elite deviance* is preferable to *white-collar crime* because the latter omits behavior that, while legal, may be physically, financially, or morally harmful. Manufacturing cigarettes, for example, remains perfectly legal, yet smoking kills nearly one thousand Americans every day. Nonetheless, tobacco companies persist in their rhetoric that no direct evidence proves that smoking is harmful.

Second, our theoretical view of elite deviance focuses on the *sociological causes of organizational harm*. Recent theories of white-collar crime have centered on either the immediate organizational environment in which criminal acts take place or on the personality characteristics of the offenders (e.g., their inability to delay gratification). Our perspective is rooted in the work of C. Wright Mills, who held that it is important to

relate the overall structure of society to elite deviance and to place American society within the current historical epoch. Not only do we see power centralized in the hands of interrelated corporate and governmental bureaucracies, but we also believe that the United States is in an era of political and economic descent. These two realities possess profound implications for both the nature and quantity of contemporary elite deviance. (Our theoretical view of elite deviance is presented in Chapter 8.)

The Organization of This Book

Chapter 1 addresses the problem of defining *elite deviance*. In doing so, we review the representative forms of wrongdoing by wealthy and powerful individuals and organizations that are encompassed by the concept *elite deviance*. Chapter 2 discusses the *higher immorality* as an aspect of the U.S. elite, a sort of systemic violation of the laws and ethics of business and politics. This includes everything from hiring prostitutes to close business agreements to hiring members of criminal syndicates to gain a business or political advantage. In addition, the term refers to special advantages that business executives receive from government, including tax breaks and subsidies, as well as special salary arrangements that bypass tax laws. The term also applies to the violation of antitrust laws. Hence, it covers a host of illegal and unethical practices.

Chapters 3 and 4 are devoted exclusively to economic deviance. Specifically, Chapter 3 details the problems generated by the monopolistic structure of the economy, including price fixing, price gouging, deceptive advertising, and fraud. Chapter 4 discusses the more dangerous aspects of corporate deviance, including hazardous products, pollution, dangerous working conditions, and resource waste.

Chapter 5 examines the international dimensions of corporate and political deviance. We will discuss the United States' defense policy, including defense contracting and arms sales, the bribery and product dumping of multinational corporations, and violations of human rights as they relate to U.S. foreign policy and the questionable practices of multinational corporations.

Chapters 6 and 7 deal exclusively with various dimensions of political deviance. Chapter 6 focuses on the types of political corruption that have characterized the history of U.S. domestic politics. Chapter 7 explores political repression in the United States, including the bias of the criminal justice system, as well as the abuses of power perpetrated by such agencies as the FBI, the CIA, and the Internal Revenue Service.

We believe that scientific objectivity and questions about values are interrelated and cannot therefore be divorced from each other. To this

end, Chapter 8 offers a theory of elite deviance, relating the various elements of social structure and social character responsible for causing much of the deviance described in this book. The theoretical propositions we advance are both measurable in the scientific sense and moral in the humanistic sense that they address harm to both society and its citizens. We have prepared this chapter because the field of corporate or white-collar elite deviance remains quite new and has barely moved beyond the stage of classifying various examples upon which a theory could be based. Chapter 8 represents our effort to both summarize and synthesize extant empirical examples and theoretical viewpoints in order to begin the construction of a coherent theory of elite deviance.

Chapter 9 addresses what has been called "the scandalization of America," focusing on the series of interrelated scandals that has wracked the United States during the 1980s. The chapter begins with a discussion of the emergence of the so-called *secret government*, an entity characterized by a code that far exceeds the deviance Mills outlined in his description of the higher immorality. The Iran-Contra affair is described in some detail, illustrating how this scandal was related to a number of other incidents of wrongdoing, generally involving the same players. The chapter concludes with an evaluation of the implications of the scandalization of America for the theoretical and empirical study of elite deviance.

The Epilogue grew out of our mutual experiences with students. Often students become fatalistic about resolving social problems that relate to the distribution of wealth and power in the United States. Our conviction is that the United States is democratic in form and that meaningful solutions to the problem of elite deviance can come through democratic processes. We do not believe that the necessary changes will be easy, but we insist that they are worth struggling to attain. The Epilogue describes one plan for making significant changes in the economic system. We feel that this proposal will eliminate or at least minimize the forms of elite deviance discussed in this book. We invite the reader to consider this plan seriously and to think of other alternatives that might be effective in diminishing elite deviance.

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◆ ◆ Contents

Preface xiii

Chapter 1 ◆ The Nature of Elite Deviance 1

- Elite Deviance and the Crisis of Confidence 1
 - Political Events Leading to Public Cynicism* 3
 - Scandals within the Economic Sphere* 4
- A Theory of Elite Deviance 9
 - The U.S. Social Structure: The Power Elite* 10
 - Economy-State Linkages and the Functions of Government* 17
 - The Benefits That Elites Seek from the State* 26
 - The Higher Immorality and Links between Various Kinds of Crime* 28
- The Classification of Elite Deviance 32
 - Acts of Economic Domination* 34
 - Crimes of Government and Governmental Control* 35
 - Elite Deviance as Denial of Basic Human Rights* 36
- The Conditions Leading to Elite Deviance 36
- The Consequences of Elite Deviance 37
- Conclusion 39

Chapter 2 ◆ Elite Deviance and the Higher Immorality 45

- The Nature of the Higher Immorality 45
- The Higher Immorality and the Political Economy 47
 - Corporate Compensation: Salaries, Taxes, and Perks* 47
 - Welfare for the Well-Off: Tax Breaks* 51
 - Misappropriated Charity: Foundations* 56
 - Royalties for the Rich: Subsidies* 57
 - The Creation of Crisis* 60

<i>Antitrust Laws</i>	65
The Higher Immorality and Corporate Crime	66
<i>Penalties: The Double Standard</i>	68
<i>Public Awareness</i>	69
Organized Crime and the Business Elite	70
<i>Organized Crime and Repression</i>	71
<i>Organized Crime and Profits</i>	74
<i>Organized Crime and the Political Elite</i>	77
Conclusion	79

Chapter 3 ♦ Corporate Deviance: Monopoly, Manipulation, and Fraud 87

The Costs of Monopolies	87
<i>Case Study: The Automobile Industry</i>	92
Price Fixing	95
<i>Case Study: The Electrical Conspiracy</i>	97
Price Gouging	99
<i>Taking Advantage of the Disadvantaged</i>	99
<i>Taking Advantage of Unusual Events</i>	101
<i>Extraordinary Profits through Deception</i>	102
Deceptive Advertising	104
Fraud	107
Conclusion	110

Chapter 4 ♦ Corporate Deviance: Human Jeopardy 117

Individual Jeopardy	117
<i>Unsafe Products</i>	117
<i>Dangerous Nutrition</i>	128
<i>Dangerous Working Conditions</i>	136
Collective Jeopardy	142
<i>Wasting Resources</i>	142
<i>Polluting the Environment</i>	146
Conclusion	151

Chapter 5 ♦ National Defense, Multinational Corporations, and Human Rights 159

The Military-Industrial Complex	160
---------------------------------	-----

<i>The Defense Establishment and Its Origins</i>	164
<i>Defense Contract Practices</i>	168
<i>The Consequences of Defense Policies</i>	176
<i>Arms Reduction and the Realities of Glasnost</i>	180
Deviance and Multinational Corporations	181
<i>The Structure of the International Economy</i>	181
<i>Multinationals and Bribery</i>	183
<i>Multinationals and Corporate Dumping</i>	188
Human Rights, Multinationals, and U.S. Foreign Policy	192
<i>Iran</i>	195
<i>Central America</i>	197
<i>Chile</i>	199
<i>Assessing U.S. Support</i>	200
Conclusion	203

Chapter 6 ♦ Political Corruption: Continuity and Change 209

Money and Politics	209
<i>Fields of Graft</i>	210
<i>The Organization of Power</i>	222
Corruption and Power	227
<i>The Powerful Controlling the Powerless</i>	228
<i>Election Fraud</i>	232
<i>Unfair Campaign Conduct</i>	234
<i>Money in Elections</i>	237
<i>Watergate</i>	239
Conclusion	241

Chapter 7 ♦ Political Deviance 247

Domestic Political Deviance	247
<i>Secrecy, Lying, and Deception</i>	247
<i>Abuse of Power by Government Agencies</i>	252
<i>Political Prisoners</i>	256
<i>Official Violence</i>	261
International Crimes	266
<i>U.S. Intervention in the Domestic Affairs of Other Nations</i>	267
<i>War Crimes</i>	273
Conclusion	277

Chapter 8 ♦ Understanding Elite Deviance 283

- Why Elite Deviance? 285
 - Elite Deviance as Exploitation* 285
 - Elite Deviance as Cooperation* 287
- Links between Elite Deviance and Nonelite Deviance 288
 - Tangible Links* 288
 - Symbolic Links* 290
- The Structure of Power 291
 - Modern Corporate Organizations* 291
 - Government Organizations* 292
 - The Nature of Evil in Organizations* 293
- The Characteristics of Bureaucratic Structures 294
 - Centralization of Authority* 294
 - Specialized Vocabularies and Ideologies* 296
 - Fragmentation and Routinization* 298
- Image Construction and Inauthenticity 299
 - Front Activities* 299
 - Inauthenticity* 300
- Constructionist and Objectivist Positions on Elite Deviance 302
- Conclusion 305

Chapter 9 ♦ The Scandalization of America: The Higher Immorality in an Era of Greed 311

- The Secret Government 313
 - The Iran-Contra Affair* 314
- The Scandalization of America 319
 - The Changing Nature of Corruption* 319
 - The Structure of Power* 319
- The Study of Elite Deviance 320
 - A Question of Values* 321
 - Victimization* 322
- Conclusion 323

Epilogue ♦ Economic Democracy: A Proposal to Transform Society 327

- Basic Assumptions 328
- General Principles 330
- The Planks of a Democratic-Socialist Platform 333

Implementing Economic Democracy	340
Elite Deviance and Economic Democracy	344
Suggested Readings	350

Name Index	355
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Subject Index	359
---------------	-----

◆ ◆ Chapter 1

The Nature of Elite Deviance

Elite Deviance and the Crisis of Confidence

Since 1986, American society has experienced a record number of corporate and political scandals. Among the incidents receiving the most public attention:

- ◆ Nineteen Wall Street employees, including sixteen stockbrokers, were indicted for trading cocaine and cash for inside information concerning corporate takeovers and stock prices.

- ◆ Within weeks of each other, two former Reagan aides were convicted of felonies relating to influence peddling, bringing to over 115 the number of Reagan appointees to be investigated, indicted, or convicted of criminal activity.

- ◆ The Reagan administration, acting through its National Security Council (NSC), illegally traded arms to Iran in exchange for hostages and used the proceeds from those sales illegally to aid the Nicaraguan Contras. In the process, many laws were broken, including those that prohibit NSC staff members from raising campaign funds.¹

- ◆ By the end of 1985, nearly half the nation's defense contractors were under investigation by the Department of Defense for fraud and/or abuse, and in mid-1988, the most serious defense fraud scandal in U.S. history—involving the trading of insider information by Pentagon naval employees to paid consultants—broke the headlines (see Chapter 5).

These and many other episodes over the last few years have served to erode the American public's confidence in its institutions. Many surveys show that public alienation from major institutions is at or near an all-time low.²

By 1988, 82 percent of the public expressed the belief that business is motivated primarily by greed. Moreover, 60 percent revealed a profound political alienation, believing that their interests are not represented by politicians. Rather, they believe that the political system serves the concerns of rich and powerful interest groups.

In a 1987 Harris poll, 81 percent of Americans felt that the rich get richer and the poor get poorer. (This is the highest percentage recorded in response to the question since Harris first asked it in 1966.) Sixty-six percent felt that people with power will try to take advantage of ordinary people (double the percentage who felt that way in 1971).

The percentage of people expressing a great deal of confidence in institutions, professions, and leaders continues to decline, compared to public confidence two decades ago. Among the institutions with low ratings are the following:

Percentage of Public Expressing a Great Deal of Confidence in:	1966	1986/1987
The military	61	36
Big business	55*	19
Executive branch of the federal government	41	18
Congress	42	21
Union leaders	22	11
Lawyers	24	14
(*1979 data)		

Indeed, pollster Lou Harris has concluded from these data that they result in large measure from the scandals concerning insider trading on Wall Street, influence peddling by prominent people in the Reagan White House, and cost overruns among defense contractors. In addition, Harris has discerned that public alienation is "deep seated in modern American life," is "profoundly disturbing for the nation," and that, unless something is done to reverse it, the nation faces certain trauma with a price that could be "enormous."³

While numerous social critics have recently expressed alarm over the decline of ethics and honesty⁴ and the rise of greed and corruption⁵ among the nation's elite, it is important to realize that the latest round of wrongdoing is merely part of a process that has been consistent with American life for the past two decades. A brief review of some of the most representative of such wrongdoing provides an understanding of the evolution of contemporary elite deviance. We will begin our review with representative cases from the political arena.

Political Events Leading to Public Cynicism

Politicians and governmental agencies have been involved in a number of incidents that have contributed to a deep public distrust of government. Most significant was the conduct of the government during the Vietnam War (1964–1975). The Pentagon Papers, investigative reporting, and leaks from within the government had the effect of turning public opinion against the war and the government. A number of governmental transgressions were revealed, including:

- ◆ the manipulation of Congress by President Johnson with the Gulf of Tonkin incident;
- ◆ the indictment of high-ranking officers for war crimes similar to those committed by the Germans and Japanese during World War II;
- ◆ the deliberate destruction of civilian targets by U.S. forces;
- ◆ intelligence agency suppression of information regarding enemy troop strength and sympathizers in South Vietnam;
- ◆ falsified reports by U.S. field commanders regarding the destruction of enemy targets;
- ◆ the spraying of more than five million acres of South Vietnam with defoliating chemicals; **AGENT ORANGE**
- ◆ the execution of more than 40,000 so-called enemy agents by the Central Intelligence Agency (CIA) under the **Phoenix Program** (most without trial); and
- ◆ unauthorized bombing raids against North Vietnam.⁶

From early 1969 until May 1970, President Nixon assured the U.S. people that the neutrality of Cambodia was being respected. Yet Nixon had secretly ordered the bombing of so-called enemy sanctuaries in that country during that period. He was able to keep the bombings secret through the use of a double-entry bookkeeping system arranged between the White House and the Department of Defense.

In 1975, governmental investigations revealed that the CIA had violated its charter by engaging in domestic intelligence, opening the mail of U.S. citizens and spying on congresspersons and newspaper reporters. Moreover, this organization plotted the assassinations of a number of foreign political officials.⁷ Most significant, the Senate Intelligence Committee revealed that every U.S. president from Eisenhower to Nixon had lied to the American people about the activities of the CIA.

Public confidence in government was also lowered when it became known that every president since Franklin Roosevelt had used the Federal Bureau of Investigation (FBI) for political and sometimes illegal purposes. After J. Edgar Hoover's death, we found out how the FBI had

been used by its longtime chief to silence his and the Bureau's critics. Hoover had also involved the FBI in a number of illegal acts to defeat or neutralize those domestic groups that he thought were subversive.

The Watergate scandal, which brought down the Nixon administration, was also a most significant contributor to low public confidence in government. The litany of illegal acts by governmental officials and/or their agents in Watergate included securing illegal campaign contributions, dirty tricks to discredit political opponents, burglary, bribery, perjury, wiretapping, harassment of administration opponents with tax audits, and the like.

By 1975, when the above revelations became public and just after the end of the Watergate scandal, public confidence in government was understandably low. One poll revealed that 68 percent of Americans believed that the government regularly lies to them.⁸

Between 1941 and 1971, there were fifteen criminal prosecutions against members of Congress, about one every two years. Between 1972 and 1982, there were twenty-nine such prosecutions, about three per year—a fivefold increase. One journalist remarked that the arrest rate among members of the 95th Congress was higher than that for unemployed black males in Detroit!⁹

The effect of these developments is hardly surprising. In 1980, law professor Arthur S. Miller declared that, in 1978, two years after President Carter's election, distrust of government was actually higher than it was during the Watergate period. Nearly two-thirds of voting-age Americans expressed distrust in government, and 70 percent expressed distrust in Congress. Thus, despite the removal of corrupt figures from office, trust in government had not increased. The result, claims Miller may be a permanent erosion of political trust and the eventual "undermining of the respect citizens have for political institutions themselves."¹⁰

The Reagan administration did virtually nothing to increase public confidence in the ethical conduct of government officials. Indeed, between 1981 and 1988, over 110 members of President Reagan's administration resigned under clouds of ethical or criminal wrongdoing or as topics of congressional investigations or criticism.

Scandals within the Economic Sphere

The public's sagging confidence in major U.S. institutions extends beyond government. Increasingly, big business has come to be viewed with distrust and cynicism. Indeed, by 1979, big business tied with Congress as "least trusted" from a list of ten major institutions.¹¹ Let's review some of the incidents that have contributed to these negative feelings.

Since the 1960s, when **Ralph Nader** launched the consumer movement, consumer unhappiness with the quality of goods and services provided by business has grown dramatically. By 1978, it was estimated that the federal government alone received about ten million consumer complaints annually.¹² Some corporations have willfully marketed products known to be dangerous. There are numerous examples of this problem, the most notorious being the marketing of the Pinto by the Ford Motor Company. Ford knew that this car had a defective gasoline tank that would ignite even in low-speed rear-end collisions, yet the company continued its sales. Ironically and tragically, Ford continued to sell this defective and dangerous car even though the problem could have been solved for a cost of \$11 per vehicle.¹³

In 1978, the Senate revealed that, between 1945 and 1976, approximately 350 U.S. corporations admitted to making bribes of some \$750 million to officials of foreign governments. Many of these companies made such payments without informing their stockholders.¹⁴ Moreover, the Watergate investigation revealed that over 300 corporations illegally contributed to President Nixon's 1972 reelection campaign.¹⁵ No corporate executives were sent to prison for their involvement in concealing or making such payments.

Another problem that has turned the public against business is the relatively high incidence of **fraud**. In the business community, fraud takes many forms. For example, General Motors substituted Chevrolet engines in thousands of its new Oldsmobiles, without informing customers of the switch.¹⁶ Advertising is also full of examples of fraudulent claims for products. And the stock market has been manipulated to defraud clients, as was revealed in 1975, when officials of the **Equity Life Insurance Company** were indicted for manipulating the price of shares by literally inventing thousands of nonexistent insurance policies. Between \$2 and \$3 billion was lost by thousands of investors, making this the largest investment fraud to date. Equity's chairman, along with several other company officials, were convicted of the crime but received suspended sentences or prison terms that varied from only two to eight years.¹⁷

By 1982, it was estimated that price fixing among corporations costs the consumer \$60 billion per year. In addition, between 1970 and 1980, 117 of 1,043 major corporations (11 percent) had committed at least one serious criminal offense, including twenty-eight cases of bribery, kick-back, or illegal rebates; twenty-one cases of illegal campaign contributions; eleven cases of fraud; and five cases of tax evasion. In all, fifty executives were sent to jail, and thirteen fines were levied in excess of \$550,000 (ranging to a high of \$4 million).¹⁸

Again, what is the effect of these developments? An early 1980s