RALPH NADER RADIO HOUR EP 411 TRANSCRIPT

Tom Morello: I'm Tom Morello and you're listening to the *Ralph Nader Radio Hour.*

(music)
"Stand up, stand up
You've been sitting way too long"

Steve Skrovan: Welcome to the *Ralph Nader Radio Hour*. My name is Steve Skrovan along with my co-host David Feldman. Hello David?

David Feldman: Good morning.

Steve Skrovan: We also have the man of the hour Ralph Nader. Hello Ralph.

Ralph Nader: Hello.

Steve Skrovan: You know Apple rang in the New Year making history. It became the first-ever publicly traded company to be valued at three trillion dollars. That's more than Walmart, Disney, Netflix, Nike, ExxonMobil, Coca-Cola, Comcast, Morgan Stanley, McDonald's, AT&T, Goldman Sachs, Boeing, IBM and Ford combined. Apple's brand is ubiquitous and they consistently drop new products to rake in revenue. So it makes sense that their stock would be valuable. But three trillion dollars? Is there something else behind Apple's historic valuation? We'll ask our gust William Lazonick, Professor Emeritus of Economics at the University of Massachusetts Lowell. Professor Lazonick is an expert on the corporate strategies behind "maximizing shareholder value". He also put the spotlight on stock buybacks with his seminal article in the *Harvard Business Review*, "Profits Without Prosperity". Stock buybacks manipulate the market and leave most Americans worse off. Mr. Lazonick first appeared on this program two and a half years ago to tell us how Boeing executives were boosting the company's stock price over concerns for safety. Then after Professor Lazonick we're gonna do some listener questions. As always somewhere in the middle we'll check in with our corporate crime reporter Russell Mokhiber. But first, what's up with Apple's three trillion-dollar valuation, David?

David Feldman: William Lazonick is a Professor Emeritus of Economics at the University of Massachusetts Lowell. His recent work includes *Predatory Value Extraction: How the Looting of the Business Corporation Became the US Norm* and *How Sustainable Prosperity Can Be Restored* which he co-wrote with Jang-Sup Shin. Welcome back to the *Ralph Nader Radio Hour* William Lazonick.

William Lazonick: Good to be here with you.

Ralph Nader: Yes, welcome indeed. It's gonna be an exciting interview, listeners because most of you have in your clutches an iPhone or you're working off a Mac Apple computer. Apple corporation is the most profitable giant multinational in the world, and it has the least investigations, the least number of books that could be written about it. One reason is that it's very secretive. It has a secret corporate culture to an extreme. We're gonna open up this curtain of secrecy with Bill Lazonick who pioneered the critique of stock buybacks in his celebrated article at *Harvard Business Review* where he pointed out that up until 1982, most stock buybacks were deemed by the [US] Securities and Exchange Commission as market manipulation and unlawful. Ronald Raegan's nominee to the chair changed that and opened the floodgates. So let's start with laying the groundwork here Bill. Give us an idea of how big in sales and profits the Apple Corporation is.

William Lazonick: Okay Great. So just to give the most recent year in the pandemic, Apple increased its sales from the previous year from 274 billion to, or 275 billion to 366 billion, just the year before the pandemic. So if you have 2019 it was 260 billion, then 276 billion, 366 billion-- that's revenues. So there has of course been a huge demand for its products in the pandemic because of the industry it's in, and because of the whole ecosystem it has in terms of Apple products. There are other reasons as well including the way it competes in China and is favored by trade policy, which I can get into. Its profits have gone up even more. They were… actually the previous record was in 2018 about 60 billion, so that was pretty good on to 265 billion of revenues. They then went down a bit to 55 billion, then up to 57 billion. Last year, the fiscal year ended the end of September, Apple's products were 94.7 billion.

Ralph Nader: This is of course a record; no American Corporation has come close to this, much less any foreign corporation. Let's get to the taxes here. In 2013 a [US] Senate committee put out a report on how Apple has gamed the tax system worldwide, used tax havens, shifted costs and profits into different foreign jurisdictions to minimize their taxes. And Tim Cook, the CEO of Apple, when he's confronted with this, exudes outrage saying nonsense, they "pay very, very ample federal income taxes." We're not talking about sales taxes. Give us a view on that, Bill.

William Lazonick: Yeah, so over the decade, if we take the decade 2011-2020, for which I have some data here ready at hand, they paid just over a hundred billion in taxes, which sounds like we're getting a lot of money out of Apple. That was a rate on profits of 16.8% on the revenue of 4.8%. But over that period their net income was $464 billion. So they're a hugely profitable company and one way they avoided taxes was by parking at lot of the money overseas, particularly money they were making in China and other places, because of tax rules up until the Republican tax cuts of 2017, which allowed companies to delay or defer taxation on corporate profits until they were repatriated in the United States. That was changed under those tax laws. They had to pay a small amount. I think it was 5.8% when they repatriated the profits. Now there's kind of a new regime that has that stack of corporate profit, but of course the corporate tax rate was drastically cut from 35% to 21% in the United States. So Apple, I think we can believe what Tim Cook said when he gave congressional testimony in 2015 where he basically you can quote him in saying they pay every single dime that they owe. But they get away with every possible tax dodge that is open to them. There are articles written at the time about the whole division they had which was devoted to this activity.

Ralph Nader: They also by the way, get away with serf labor rates in China. Apple does not have a factory in the United States. I mean it was born in the United States. It was given all kinds of research and development credits. It was protected by the US government in many ways. It rose to massive profits. They have up to a million workers in China through a major contractor, a Taiwanese company that is in China that started out paying their workers to build the Apple products, what, a dollar or two.

William Lazonick: Yeah, so I think this is very important because the value added, if you want to put it that way, of Tim Cook, the current CEO, who joined Apple I think around 1997, 98. He had been at IBM, another company. He's a supply chain guy. He's the guy, what he did for Steve Jobs, Steve Jobs of course was the head of Apple until he passed away in 2011. Just before he died he passed the baton on to Tim Cook. That's what Tim Cook did. He outsourced manufacturing. Foxconn, the parent company in Taiwan called Hon Hai Precision [CoLTD]; it was a relatively small contract manufacturer around 2000. They grew with Apple to become the biggest in the world. I haven't seen the latest figures but at one point there was about a million workers in Shenzhen, about two million in China. They came under scrutiny at a certain point for precisely what you're saying Ralph, of the low wages they pay. But I think the important point is that Apple is able to get all these products manufactured in China. But it's not simply low-wage labor. They've outsourced high-wage labor. I've written recently about the semiconductor fabrication industry where Intel has been outcompeted by Samsung and TSMC, Taiwan Semiconductor Manufacturing Corporation. Both companies to some extent, and particularly TSMC, owes a lot of their growth to Apple. Apple started particularly with the launch of the iPhone in 2007, to get its advanced chips. The iPhones have always used the most advanced chips of all Apple devices, manufactured by Samsung. But then around 2011 they realized that Samsung was becoming a main competitor in actually the device end of the business and the smartphone end of the business. So they shifted. It took them to about 2015 to make the shift entirely to TSMC which pioneered as pure-play foundry, and is now the most powerful and biggest foundry in the world in producing advanced chips. Now Apple could have/should have back when Steve Jobs was still around taken some of the money that they were making from their iPhones and iPads and computers, and put it into a separate company to produce a dedicated fab for their chips. Or they could have had a fab that would also produce for other customers as well. They didn't do that. In fact in the article that I've written on this which you can find on the website of the Institute for New Economic Thinking, I found an article, a story by a well-known electronics journalist named Mark Lapidus who wrote an article in 2010 to Steve Jobs in effect saying why doesn't Apple invest in a fab? Apple did not. It's come up recently how dependent the United States is on foreign companies for advanced semiconductor chips. Of course in the case of Taiwan, it's particularly dicey because United States doesn't really recognize Taiwan as a nation. There are all kinds of issues, geopolitical issues around that. Now to put this in context of what Apple is doing with its money; just last year, 2021, Apple spent 86 billion dollars buying back its own stock, 86 billion dollars. The combined investment that TSMC and Samsung have announced in the most advanced fabs that will be, in the case of TSMC, be producing chips almost exclusively, or exclusively for Apple. It was $27 billion. So about 31% of what Apple spent in one year on buybacks. These are fabs that will come online in 2024. So that's part of the cost of what they're not investing in.

Ralph Nader: Bill, let's probe your knowledge on these stock buybacks because they reflect overpricing of people's iPads and iPhones and computers by Apple. When a company, let's phrase it simply here: when a company like Apple buys back 86 billion dollars in one year, that's with a B, they are not increasing wages. They are not bolstering their pension plan. They are not engaged in [R&D] research and development. They're not spending enough to deal with the recycling of their billions of products after they've been cast away, which is an occupational, environmental hazard. Trace for us exactly what happens when they announce to buyback, and they start month after month buying the stock. Where does the money go and where does the stock they buy go? Then I want to follow up.

William Lazonick: Okay, sure. The first important point is that profits themselves that a company makes are necessary if the company is gonna survive. What a good company does, including a company like Apple when it grew, particularly when Steve Jobs took over from 1997, is they reinvest profits. They pay workers higher wages; they expand employment; they invest in the next generation of products. That's how they become successful. Then there are a lot of profits there, but the problem is that those profits are being grabbed by people who made no contribution to those profits. In Apple's case the only time they ever got money from the public stock market was in 1980 when they got 97 million dollars in their initial public offering and that's it. So the notion that they now are doing these buybacks to give money back to investors, in fact the *New York Times* article in which I'm quoted yesterday, used that term. I told the journalist when I spoke to him, "they're not giving any money back." In fact Apple calls it their capital return program, which has done $446 billion in buybacks since 2013.

Ralph Nader: 446 billion in buybacks. Compare that to the Biden project. (chuckle) It's just unbelievable; go ahead.

William Lazonick: The amount is astounding. The extent to which, sorry I'll correct that number, it's 464 billion, so it's even more, okay. And they paid a hundred and fifteen billion in dividends. Now let me go back to this. Okay, so the company is making profits. There's nothing wrong with a company paying dividends. It's a way in which we as households buy and sell shares. The stock market is part of our life so I'm not arguing to get rid of it; it's a way that we can have an income on our savings. But stock buybacks are something totally different. The stock buybacks I'm talking about, and the $464 billion are what is called open market repurchases. They are just the company going into the stock market, telling the broker to buy back shares. There are a number of issues about this. As you said Ralph, before 1982 they would be charged with stock market manipulation for doing this, but in the Raegan Administration, the SEC passed Rule 10b -18, which says that a company in any one year can repurchase up to 25% of its average daily trading volume over the previous four weeks in any one day. For Apple, I have some numbers that I've looked at. They were about over three billion $ a day that they could do. That number, 25% number, even in its inception was a crazy number. They can do that day after day if they want. The other thing is the SEC even after the fact, doesn't know the precise days in which they're doing them. People on the inside know; people who are professionals and buying and selling shares can figure out when the buybacks are being done, because they know it's all being done through one broker. Basically what happens is that there is a buyback process that pumps up a stock price.

Ralph Nader: Okay listeners, you've got to listen to this carefully. Let's trace, when they buy back 85 or 6 billion dollars, I want to know, number one, is it deductible? Number two, where does the money go when they buy it back in the market? Number three, where does a stock end up in the company that it buys back? Number four, how is that stock used over time? Can you go through that?

William Lazonick: Yeah, so first of all this is paid after taxes. So it's like dividends. It's a distribution to shareholders after taxes. The first bump that a company gets to its stock price is actually not when it does the actual buybacks, but when its board announces a buyback program. It's actually not something as far as I can see that the companies have to do by law, but they have done this since this Rule 10b -18 back in 1982. Companies have become accustomed to doing this--to saying how much buybacks are gonna do. Let's say, ten billion dollars over four years, or in the case of Apple, a hundred billion over the next two years or whatever. The board can just come and reauthorize larger buybacks. Now at that point there's already gonna be a bump to the stock price even before any buybacks are done. There's a study that looked at this, maybe 2%, 3%, sometimes more. Because basically people who are looking for stock price gains now know that the company has a commitment to buy back its stock and they can see the size of this commitment. Now they don't have to do it. From that point on, the CEO and the CFO essentially can decide how much buybacks they're gonna do and when they're gonna do them. There is very little transparency and in fact almost no transparency about this. In 2004 companies had to start the only revision to Rule 10b -18, companies had to report on a quarterly basis, how much stock they bought back in every given month, the average weighted price. But that's after the fact and we still don't know the precise days in which they're buying back stock. Okay, now when they go in and they do a large stock buyback, and let's say they do day after day for a week. In the case of Apple, maybe they're doing a billion or a billion and a half and it's perfectly within this rule. They start creating increased demand for their stock. We don't know where it's coming from. Even the people who are selling the stock don't necessarily know who they're selling the stock to. But the stock price is gonna go up. People who are observing their stock price will then see an upper movement of stock price. By the way stock buybacks are typically done when stock prices are high, not when they're low. That's gonna lead to speculation in the stock, so that's gonna drive the stock up even more. The fourth bump to the stock price--so the first one is they do a program analysis; the second one they do the actual buybacks; a third is speculation on the stock that gets momentum is when they issue their quarterly report and they show higher earnings per share. And since people in the stock market/traders are very influenced on earnings per share, even if it's a higher earnings per share because of just deduction of stock price of shares and the denominator because of buybacks, that's gonna lead stock price to go up even more. Now in Apple's case it's also because of their higher earnings and the question of how they're getting that high earning that you raised before. But in any case, they have plenty of money to do this. So that's how they're getting an increase in their stock price. Now over time as they've done this, since they started doing the first buybacks in October of 2012 which was part of fiscal 2013. Now in September of that year a guy who became well-known in the Greenlight Capital demanded that Apple do preferred dividends and buybacks, et cetera. David Einhorn is his name. That really spooked Tim Cook. If they didn't start doing buybacks, I think their thinking was if we don't do this, they're gonna try to take control of this company. We don't have to buy shares which Alphabet has, or Facebook has. So that was their concern. They never articulated that concern, but I'm sure that's the reason they're doing all these buybacks. Now once they started doing them they then have this expectation from shareholders they're gonna do even more. Carl Icahn bought 3.6 billion dollars-worth of shares. He just bought shares on the market in the summer of 2013. Not one cent went to Apple. Then he started putting out all this stuff, this hype about getting Apple stock price up. Now for one thing, his notion was every cent of profit that Apple would make ever into the future would belong to Carl Icahn and shareholders. If you take that point of view, then all the things you were mentioning before Ralph, paying workers higher wages, investing in the next generation of technology, and what I mentioned, investing in fabs and other things, investing in green technology, which Apple could have done. Not necessarily just with Apple, but by spinning off other companies, lowering price to consumers, et cetera, paying people better in China if they're gonna produce there. All that goes out the window. It basically goes into the pocket of Carl Icahn. Now Icahn actually held the shares for about 30 months. He got out because I think he had inside information about Apple's sales in China going down in the winter of 2016. He took home, I wouldn't say "made," but he took home two billion dollars from that 3.6 billion.

Ralph Nader: Bill, anybody who has bet against Apple since the 1990's has lost.

William Lazonick: Yeah.

Ralph Nader: $10,000 invested in Apple stock in the early 1990's would be worth today almost six million dollars. Now a lot of this goes to the upper super wealthy investors. Others go to the pension funds. Other of the gains go to mutual funds that invested in Apple. So, what do you say to people who say, Bill, we know your critique, but what's there not to like? A lot of people benefited from these stock surges in Apple which never seem to stop. In other words, this is not a company with a bubble, it's a company with a super dominant market position that hooks people in so much that even if they want to get out and buy a Samsung phone, they can't endure the inconvenience. That's called a transaction tax. What's your answer to that?

William Lazonick: I would say that Apple, particularly under Jobs, had a vision of a computer company that became a telephone company. They have made that product. They're not the only competitors out there. They come back to that. But Samsung is a major competitor. Huawei in China was a major competitor until US trade policy killed them in favor of Apple in the last two years. But Apple developed products that we all use. I'm actually talking to you on a MacBook Pro. I have an iPad, an iPhone, and an Apple Watch that my kids got me. I have AirPods. So I'm using the Apple products. I even have an Apple modem. So I'm not switching out of Apple myself personally. But the question is who created all of that wealth? It was the people working for Apple. It was government funding of all kinds of technology that Apple has been able to use. It was not shareholders. The shareholders as I said, the only time they ever went to the public stock market to raise money was in 1980, 97 million dollars. Even Steve Jobs, who held on to some of his shares after the IPO in 1980, the founder of the company, he left; he was kicked out in 1985. He kept one share so he could come to an Apple shareholder meeting. So he wasn't even a beneficiary of Apple shares after that from the original founding of Apple. Shareholders afterwards - and this is generally true of any company - are just people who buy and sell shares. If companies are innovative, have profits, and they can invest in their workers, they can invest in the new products, and have some money left to pay as dividends, then we can share in that wealth as savers – as households, as savers. Buybacks do not do that for us. So pension funds should be totally against buybacks. Because what buybacks do is just favor those who are in position to buy and sell shares. Now just to go on about Apple's buybacks, when Carl Icahn got out in 2016, someone else started buying back shares on a much larger scale, about ten times the scale of Apple. And that was Warren Buffett. As you know, Buffett is now in his early 90's. He and Charlie Munger still run the company. I guess they've run out of large acquisitions to do, with all the tens of billions of dollars they have. So he started putting his money into Apple. He put 37 billion dollars into Apple by September of 2018, over about a two-and-a half-year period. In May of 2018 when he had put some more money into Apple stock, just buying it on the market, not one penny went to Apple. He was quoted as saying, "I love stock buybacks because without spending a dime, my share of Apple will go to 5 to 7%." I haven't looked at the latest figures, but a couple of years ago when Berkshire Hathaway showed $81 billion in profits about 37 billion of that, a out equal to what he had put in originally was from the appreciation of Apple stocks plus dividends, mostly appreciation of stock. It began, but it's obviously gonna be way higher even now if he still holds the shares.

Ralph Nader: Well to give you my estimate, when he bought the stock, Apple stock, when Warren Buffett bought Apple stock 2018, he more than quadrupled its value just in three years.

William Lazonick: I would say that's about right, yeah. So that's how the rich are getting richer.

Ralph Nader: Let's get to what I think is the basic problem with Apple. They have a new kind of technological monopoly. They're not being enforced under the antitrust laws. They have trapped their customers in all kinds of ways. You just pointed out yourself, how hard it is to get out of Apple and get a better deal say with Samsung. They have trapped them to a point where they're now upgrading, upgrading, upgrading. The projection is they're gonna come up with a new phone that's gonna cost consumers $2500. So they're doing much better than what the auto industry did in the old days of constantly changing styles and getting people to turn over their cars and buy new cars. This is a process that has to be confronted only by the antitrust laws. It doesn't seem anything can stop the Apple incarceration of people with hugely overpriced phones built by serf labor, not one of which workers in China will ever earn enough money to buy one of the phones that they're manufacturing. To show the level of corporate greed here Bill, for about three billion dollars out of that 86-billion-dollar buyback, they could have doubled the wages of one million Chinese workers.

William Lazonick: Never mind that the people you see in the Apple stores in the United States. I mean those people do not have careers; very few of them do.

Ralph Nader: To top it off in your list that the shareholders had nothing to do with Apple's success. It's the workers, the government tax subsidies--taxpayers be alert on that--and Steve Jobs's innovation. Am I right in saying that since Steve Jobs passed away ten years ago or so, that Apple still hasn't innovated anything unique? They just working off of Steve Jobs's original inventions?

William Lazonick: Yeah, I think they have been able to make better cameras, but the watches are now selling better because they're more functional. But it's basically, yeah, he and the team of people created an ecosystem using a lot of government funded research and using a lot of employees who should be sharing better in all the wealth. As you mentioned, I wrote this article in *Harvard Business Review* in 2014 that got a lot of visibility. That came out in September of that year. In October Carl Icahn actually had a meeting with Tim Cook. He invited him over for dinner and said that he wanted him to do $150 billion dollar buyback, which should have been illegal in terms of the way he was privileged. He never had more than one percent of the shares of Apple. At that point on the *Harvard Business Review* website you can find the two articles I wrote there. One was about this fact that Apple had only raised 97 million dollars in its IPO. So how does Carl Icahn or anybody else have the right to say all that money belongs to anybody who buys shares on the market. That's a broader critique I've been making since the 1980's of the whole notion of shareholder value, and the lack of understanding of how value is created in the economy. That writ large has to do with the whole decline of the middle class. The problem with Apple is that because it's so profitable and because it does so much in the way of buybacks alongside very ample dividends, it just raises the bar for everybody else to try to keep with their stock prices.

Ralph Nader: Well the other overriding issue here is they're sucking hundreds of billions of dollars out of consumers by overpricing their products and using the money in a spectacularly unproductive way as you say, no R&D, no benefits.

William Lazonick: I would emphasize the latter however because in fact you're right that once you're in the ecosystem you have a problem. But I'll just give you a personal example. My iPhone, which I had had for about five years stopped working. So I went to the Apple store. They actually didn't try to sell me the highest priced iPhone. I bought one that was much lower priced. So, I think there are a lot of people who are just paying that premium because they want to have the latest camera; they want to have the latest this and the latest that. My problem is much more the extent of what they're doing with this money, and the lack of investment that is coming out of this. It's not just Tim Cook who is at fault here. If you make the guy the CEO of the company whose claim to fame was that he found ways not to manufacture their own profits but to do that in China and in fact create one of the most powerful companies in the world in terms of contract manufacturing, then what do you expect? He did the same and even I think more problematically, in funding the growth of TSMC. It's having this tremendously powerful position geopolitically, not just economically in the economy. So I think that's the bigger problem, which comes back to what it's doing with this money and the massive amount of buybacks it's doing.

Ralph Nader: It's certainly not paying its fair share of taxes. It certainly is not paying its workers in China anything other than a serf-level wage. In the factories in China producing Apple products they have suicide nets, suicide prevention nets on the sixth, seventh, and eighth floor because so many of the hard-pressed, driven workers are jumping out to commit suicide. That somehow doesn't enter into Apple's annual report.

William Lazonick: Companies have really taken the accounting systems to try to show numbers that boost stock prices. Have taken the SEC and got the SEC to mandate things as normal in order to promote the stock market, and in order to become not a regulator of stock market, but a promoter of the stock market. It manifests itself in many different ways, but the most egregious way is through stock buybacks. Because that is nothing but a manipulation of the market. These open-market repurchases are going out and just pumping up the stock price. I did write back in October of 2014 a second article, which was an open letter to Tim Cook that told him how I thought he could use that money when buybacks were at a much lower level at that point. Then over the next two years, the two years in which Icahn held shares, they did $45 billion and $30 billion in buybacks which were records at the time.

Ralph Nader: He didn't respond to you, did he?

William Lazonick: But I think what your listeners should know is that Apple has a fairly small board. It's now nine people. For a long time it was seven people--the longest serving board--

Ralph Nader: This is a board of directors.

William Lazonick: Board of directors. The longest-serving board member who was chair is a fellow named Arthur Levinson who was the head of Genentech for a long time, then was the head of Google's biotech company. He is a scientist with a long history of biotech. Genentech is owned by a Swiss company Roche, which protected Genentech from the stock market. As a result, Genentech, an American company, which actually did its IPO [initial public offering] on the same year as Apple in 1980, has been an innovative company protected from the stock market. Levinson has been sitting there with all this stuff going on knowing that Apple could have invested this money, taken people, taken the money, set up new companies, done totally different things with the money without saying a word. The second longest-serving member of the board is Al Gore. He has been a board member since 2003. So there's a certain hypocrisy that Al Gore in 2006 comes out with *An Inconvenient Truth* and becomes seen as Mr. Climate Change. Apple, then subsequently without Al Gore ever uttering a word about this, spends $460; what did I say, 466 billion dollars in stock buybacks from 2013. Without as far as we know, him ever saying, why don't we go and take 20 billion, invest in some new technology company/green technology company? Why don't we do this, why don't we do that? They don't actually give any justification for why they're doing these buybacks. In my view the reason they're doing them is because they're afraid of hedge fund activists, a relatively small number of people who have used the proxy voting system to attack companies. I think one of the most prominent one is Nelson Peltz, Trian Partners, which has attacked DuPont, GE and Procter & Gamble. There are others like Paul Singer who is doing this around the world through Elliott Management, Daniel Loeb, William Ackman. These relatively small number of people who can come in and without a tiny fraction of the shares, can line up proxy votes from institutional investors. And companies, if they don't want to be bothered by them, they just do huge buybacks to keep them quiet. That's what Apple has basically been doing.

Ralph Nader: Let's get back. You wrote a letter to Tim Cook in 2014 on how he could more productively use these tens of billions of stock buybacks. Typically, he did not respond. How can people get a copy of this letter?

William Lazonick: Okay, it's on the *Harvard Business Review* website. If you actually just Google my name on *Harvard Business Review*, you'll come up with all the articles that I've written there over time. You'll find the article; scroll down and you can get a certain number of articles free.

Ralph Nader: Okay, tell them exactly how to get it.

William Lazonick: William Lazonick, that's my name. Put in William Lazonick, *Harvard Business Review*, and my name will come up on a webpage. You just scroll down that webpage and you'll find this article from 2014, October.

Ralph Nader: Spell your last name.

William Lazonick: L-a-z-o-n-i-c-k.

Ralph Nader: How much are they giving to charity? They can give up to 5%.

William Lazonick: That I really don't know. I wrote a little bit about this because in an article which is on the website "Institute for New Economic Thinking". So your listeners can also go to there to find lots of my articles. But I wrote an article in July of 2020. It was actually called "*How to Maximize Shareholder Value, Minimize the Strategic National Stockpile*"; it was on ventilators actually. I ended up with Apple because Apple was one of the signatories of the Business Roundtable statement in August of 2019, about promoting, going to a stakeholder model, which was totally cynical that had to do with the fact that they thought Elizabeth Warren might be the Democratic presidential candidate led by Jamie Dimon, JPMorgan Chase.

Ralph Nader: Yeah, stakeholder, listeners, stakeholders mean that they don't just respond to shareholder value, they respond to the condition of workers, environment, and other social responsibility constituencies.

William Lazonick: In that article we talked about the 70 billion dollars at that time, because we had about 9 months of data from the time they signed that statement, how much Apple had done in stock buybacks--70 billion dollars and signing a statement that they're gonna promote stakeholders. Then we looked at what they had done, and what they had after the George Floyd murder and Black Lives Matter became a much more acceptable movement for corporate America. They put a hundred million dollars into a racial justice initiative. My argument was that was too little, too late. Why were they only doing it then? If you took that hundred million and you compared it just to the 70 billion that they had done in stock buybacks in nine months since signing the statement that they were gonna support stakeholders and not shareholders, it's totally hypocritical, totally hypocritical.

Ralph Nader: Apple is arguably one of the richest, stingiest companies in the history of the modern world in terms of how little they give. Even though they can deduct at least five percent, they give far, far less than 1%. David, you have a comment?

David Feldman: Thank you Ralph. Picking up on the stakeholders, Elizabeth Warren wanted to switch to a German model where 40% of the board would be the workers. So, you said that stock buybacks were once considered market manipulation, and then Reagan changed the rules. I'm curious, what is at a president's disposal right now to change the rules? Could - speaking to stakeholders and Elizabeth Warren and what you were just talking about - could Biden right now tell his Labor Department to dictate to Apple that a portion of their stock buybacks have to be passed on to the workers?

William Lazonick: I have a paper with Lenore Palladino who is at UMass Amherst; We've written a paper that is just going through final revision. But readers could get in touch with us in, let's say a few weeks because it's being published in a journal, and we're just putting the final revision on it. But it goes through a lot of the possible remedies. Now one is simply to recognize that Rule 10b - 18, which was adopted under the radar in November of 1982 without public comment. I along with another fellow I work with, Ken Jacobson, we call "a license to loot." It basically said you can do all these buybacks. You gave companies a safe harbor against manipulation charges, but it's actually on the books of the SEC that this could be manipulation. Now the person in Congress who has got the most exercised about this, and has gone further with this is [US] Senator Tammy Baldwin from Wisconsin. She, in 2015, had read the work that I'd done, and she started writing letters to, at that point Chair of the SEC, who was Mary Jo White asking why are you doing this? White admitted that actually companies could not violate Rule 10b -18 because it was a safe harbor. They just couldn't avail themselves of it. What Baldwin eventually did in 2018 and reintroduced it again in 2019, has a bill called the Reward Work Act, which would require all public companies to have at least one third of their board members be representing employees, and would resend rule 10b -18. If you rescinded Rule 10b -18, which ~~was just~~ the SEC could do tomorrow by just saying we no longer consider this to be something legitimate; it was an ill-advised rule that was adopted in 1982 that has gone way too far. They could do that. Now unfortunately the stock market has become so dependent on these stock buybacks that it would probably cause the stock market to crash. So they're not about to do that overnight, but I think they could.

Ralph Nader: Yeah. Let me embellish that point Bill, briefly. Big corporations in this country have blown about eight trillion dollars in the last ten years on stock buybacks. So, it isn't just Apple. I sent a letter about ten months ago to Gary Gensler, the chairman of the Security Exchange Commission, who is supposed to be a progressive, nominated and confirmed by the Democrats, and he never responded. The letter simply said are you gonna take any action to rescind the SEC rule that opened the floodgates in 1982 for stock buybacks. So I don't think Biden or Gary Gensler has any interest in touching this, what's called the third rail of Wall Street.

William Lazonick: Joe Biden was a big fan of my article in the *Harvard Business Review* that you mentioned. I met with him twice in 2015. He wrote an article in the September 2016 *Wall Street Journal* coming down on buybacks when he was still vice president. People can go and find it called "Short-Termism Saps the Economy". I was looking for that to send a link to someone last April, and I noticed that in that article I'm the only person he names by name. He takes some data from that *Harvard Business Review* article and he said, according to economist William Lazonick, and then he gives some data. I was looking for it and I saw that what it was reading online was according to economist blank comma, and then the data. Someone had cut my name out. I've subsequently been in touch with the *Wall Street Journal,* and they've restored my good name to the article. But I have the screen shot to show that someone actually went in there presumably after Biden became president and didn't want his name associated at least with me. Maybe they didn't want the article itself, but they didn't excise that. But Biden was a big opponent of buybacks. I think that's been suppressed in his administration. I think the notion that they should do something about buybacks is really something that his advisers don't want him to be involved in. The one thing they've done, which I don't think is a good idea, and it came from Sherrod Brown and Ron Wyden, was a two percent tax on buybacks. Now that's in Biden's framework as a one percent tax. That just legitimizes buybacks. I mean buybacks should have a label on them--this product kills the middle class--like you have on cigarettes. They should have maybe a 50% tax if they're not gonna get rid of buybacks. So there's some legislation that is being done that is being pushed, I think with good intentions, that is not appropriate.

Ralph Nader: Well this is all very interesting and useful information. We've been speaking with William Lazonick, economist, pioneer in the critique of gigantic stock buybacks by US corporations that don't know what to do with all their profits other than to buy back their stock and increase the metrics for executive compensation. Thank you very much Bill.

William Lazonick: Okay, great talking with you.

Steve Skrovan: We have been speaking with William Lazonick. We will link to his work at RalphNaderRadioHour.com. Let's take a quick break. When we come back, Ralph is gonna answer some of your questions. But first let's check in with our corporate crime reporter, Russell Mokhiber.

Russell Mokhiber: From the National Press Building in Washington, D.C., this is your *Corporate Crime Reporter* "Morning Minute" for Friday, January 21, 2022; I'm Russell Mokhiber. A partner at the law firm Cooley LLP got an unexpected call late last year from a Tesla lawyer delivering an ultimatum. Elon Musk, Tesla CEO, and the world's richest man wanted Cooley which was representing Tesla [Inc.] in numerous lawsuits, to fire one of its attorneys or it would lose Tesla's business. That's according to a report in the *Wall Street Journal*. The target of Musk's anger was a former SEC lawyer whom Cooley had hired for its securities litigation enforcement practice, and who had no involvement in the firm's work for Tesla. At the SEC the attorney had interviewed Musk during the SEC's investigation of him. The probe resulted in a settlement in which Musk agreed to resign as chairman and pay a 20 million dollar fine. For the *Corporate Crime Reporter*, I'm Russell Mokhiber.

Steve Skrovan: Thank you Russell. Welcome back to the *Ralph Nader Radio Hour*; I'm Steve Skrovan along with David Feldman and Ralph. All right, so now let's do some listener questions. David, why don't you do the honors with Nancy?

David Feldman: Nancy writes, do you know anything about Kaiser Permanente? I've been a patient of Kaiser much of my life. Kaiser is an HMO that has many patients in California. It offers the Medicare Advantage plan I have and other kinds of medical plans. It has its own doctors, staff, hospitals, equipment and clinics. Kaiser is not an issuer like the ones you mentioned earlier that are middlemen between the patient and their medical care. Kaiser is different. It is both the insurer and the provider of medical care. Like the insurance corporations you mentioned, does Kaiser Permanente intentionally deny benefits to which people are entitled under their Medicare Advantage plan in order to increase their profits?

Steve Skrovan: We've got an answer actually. She's referring to the show we did last week with Kip Sullivan. Kip Sullivan actually answered, so I'm going to read Kip's answer, which will be much more informed than mine. Kip says, "Nancy, the problem with Medicare Advantage is you don't know what coverage you have until you need it. The insurance companies, including Kaiser, can and do delay and deny care when you need it. You are better off enrolling in traditional Medicare and buying a supplemental policy. But if you don't enrol in traditional Medicare within six months of becoming eligible for Medicare, insurance companies that sell supplemental insurance, otherwise known as Medigap coverage, can take your health history into account and charge a high premium or refuse to sell to you at all. Before you leave Kaiser make sure you are still within the six-month enrolment period for traditional Medicare. Congress should, along with eliminating the overpayments to Medicare Advantage plans, eliminate this trap that keeps beneficiaries in Medicare Advantage. So thank you Nancy for that question."

Thank you, Kip for that answer. This question comes from Burton Raabe about the January 6th Committee. He says, does anybody see the irony of Liz Cheney investigating a violent response to a claim that the election was stolen when there is no evidence to support that? There's no evidence that Iraq had WMDs [weapons of mass destruction] and yet we invaded, overthrew their regime and hung Saddam. Dick Cheney was the primary cheerleader for this false claim and invasion. Ralph?

Ralph Nader: Well the Bush Cheney war crimes against Iraq continue. That's taken over a million innocent Iraqi lives, millions of refugees blown apart the society. It's called the sociocide. Now they've escaped any kind of prosecution, any kind of accountability. They're enjoying their elderly years and great wealth. It is quite a paradox. The plaudits for Liz Cheney on the January 6th Committee obscure what her father did and what she supported at the time, her father and George W. Bush' devastation of Iraq, an illegal war crime if there ever was one.

Steve Skrovan: Take the next one David.

David Feldman: Okay, this is from Emily Citkowski, Power to the People. Hello Ralph, thank you for your December 18th interview with author Richard Panchyk. I gave the book to my thirteen-year-old who read it over winter break. He absorbed a lot from the book, particularly Chapter 11 and the idea that one percent of the population can successfully push for change. Can you recommend other citizen action books, or other resources for young teens? The format of this book was particularly palatable for an academically busy student because it doesn't look like a textbook. Has your team considered making civic action TikTok videos? Not as a replacement for books, but an in road to teens. These could even be a vehicle to encourage participation in your Congress Club. Happy New Year.

Ralph Nader: What a wonderful communication Emily, thank you. Yeah, there are two books that I've written that early teens could find interesting. One is called *The Day the Rats Vetoed Congress*, which is a fable, but it's a very serious attempt to show how people can overcome the corporations' control of congress and enact long-overdue legislation for a better society for the common good. The other one is a little paperback called *Breaking Through Power: It's Easier than We Think*. I authored that one as well. I think your thirteen-year-old son will find that very interesting if he found Richard Panchyk's book so compelling. Thank you again and I hope he finds more friends and relatives in his age group to start a widening reader circle. You might want to tell him our motto, readers think/thinkers read. That's what leads to citizen action.

Steve Skrovan: This question comes from Bowen Roberts. It's about the Electoral College. He wants you to comment on a scenario. The scenario is Republican overseers of election results toss out, or decertify election results. How might the Electoral College respond? It has the power of selection at hand.

Ralph Nader: Well, they have to adhere to whatever the election results were in the state. So if they throw it out, there's usually a recount or maybe another election. The electors wait for that result; the electors of the Electoral College in a particular state wait for that result.

Steve Skrovan: All right, very good.

David Feldman: The next one comes from Dan Brown. Hello Ralph and team, as an active-duty Naval officer teaching at the National Defense University, I'm continually looking for suggestions about curriculum updates. Congressionally mandated Joint Professional Military Education is required for all military officers as part of their mid-career milestones. Given the current challenges our nation faces, how should JPME, that's Joint Professional Military Education, be updated for 2022?

Ralph Nader: Well I have just the person for you, a constitutional law and international law specialist Bruce Fein. He has spoken at the War College and he lives in Washington, D.C. His topic would be how federal agencies can adhere to the rule of law, such as the Pentagon obeying the 1992 law passed by Congress to provide auditable data to the US Congress, as all other departments and agencies have done. He can also talk about the separation of powers and the abandonment of congressional constitutional duties to the all-powerful presidency in recent decades, and how to restore the checks and balances that were deemed so important by the founders of our republic. I hope you can invite him to address, and you might want to read his report on restoring the Constitution.

Steve Skrovan: I'm gonna break in here Ralph and tell you that that report, "Restore the

Constitution", can be found by going to CSRL.org, that's CSRL.org and clicking on reports.

Ralph Nader: Thank you very much for that opportunity Dan Brown.

Steve Skrovan: This question comes from Avid Coles and on marketing to children, she says hello, my three-year-old daughter is already enormously susceptible to marketing despite our best efforts to shield her from these forces. As an example she recognized Chester Cheetah, the mascot of FritoLay's Cheetos, which is a Pepsi company, and refers to them as tiger snacks. We've never given her this junk food but she's learned about it somewhere. I recently spent some time in Mexico and noticed that the same product comes in a fairly plain bag without Chester Cheetah's image on it, and instead features prominent warning from the Secretary of Health like "excess calories, excess sodium." Mexico faces an obesity epidemic even worse than our own. Clearly this type of regulation is an effort to improve public health. How can we get the same packaging and labelling rules enacted here?

Ralph Nader: Well I would go to the Center for Science in the Public Interest in Washington, D.C., and look up its founder Michael Jacobson who is a biochemist and has fought for years for more informative labelling on food products. You couldn't have anybody better to answer your question in a functional manner.

David Feldman: This comes to us from David Faubion about labor union strikes. He writes, Ralph, an economics author who I read, claims at a strike causing a shortage of goods or services in turn can cause a backlash of discontent among consumers. The author uses the possibility of consumer hardship as part of his argument against unions and strikes. Can and does that ever happen Ralph? If so, how would you counter that assertion?

Ralph Nader: Well it has happened. When teachers strike or health care workers strike, they don't strike that often everywhere. But when they do strike to benefit consumers, not to just increase the staffing requirements that they think are being limited in their workplace, that combines both protecting labor and consumers. Of course workers are consumers and consumers are workers. So we want to try to foster that kind of broader vision by labor strikers. The nurses have done this in California when they did stop work once. It was because they were so understaffed they couldn't serve the patients. They put legislation in the state legislature to correct that, and brought public attention by their temporary cessation of work. I think there are ways to moderate that. In most strikes there's always a lot of inventory backlog. Like when the United Auto Workers struck, there was no shortage of cars.

Steve Skrovan: This next question comes from Susan Blom. She says hi Ralph, I heard your broadcast for raising money through the internet, to organize and getting donations to save traditional Medicare. We need the program for America. Have you thought about partnering with someone like AARP, or maybe even Bitcoin investor would like something like this? I want to save the program because I'm 62 years old. Thank you for your good work.

Ralph Nader: Well thank you for your question. AARP is very uncommunicative. They have a lot of contracts with big insurance companies and they're remunerative for their budget like UnitedHealthcare. They provide Medigap coverage in a contract with UnitedHealthcare. While they appear to be a consumer group, they also are in business. It's very hard even to get the calls returned. As far as Bitcoin, that's off my radar screen. Cryptocurrency, that's for somebody like David who is into it deep. He's about ready to sell an NFT [non-fungible token] of his image.

David Feldman: (laughs) You're not supposed to know about that.

Steve Skrovan: I want in on that.

David Feldman: How did Ralph find out?

Ralph Nader: That's for you Hannah.

Steve Skrovan: Thank you for your questions. I want to thank our guest again, William Lazonick. For those of you listening on the radio, that's our show. For you podcast listeners stay tuned for some bonus material we call "The Wrap Up". A transcript of this program will appear on the *Ralph Nader Radio Hour* website soon after the episode is posted. Subscribe to us on our *Ralph Nader Radio Hour* Youtube channel. For Ralph's weekly column, you can get it for free by going to Nader.org. For more from Russell Mokhiber go to CorporateCrimeReporter.com. The American Museum of Tort Law has gone virtual. Go to TortMuseum.org to explore the exhibits, take a virtual tour and learn about iconic tort cases from history. Be sure to check out their latest program, and ~~our~~ how advocates are going to court to confront the climate crisis. All that and more at TortMuseum.org.

David Feldman: Ralph wants you to join the Congress Club. Go to the *Ralph Nader Radio Hour* website and in the top right margin, click on the button labelled Congress Club to get more information. We've also added a button right below that with specific instructions about what to include in your letters to Congress. The producers of the *Ralph Nader Radio Hour* are Jimmy Lee Wirt and Matthew Marran. Our executive producer is Alan Minsky.

Steve Skrovan: Our theme music "Stand Up, Rise Up" was written and performed by Kemp Harris. Our proofreader is Elisabeth Solomon. Our associate producer is Hannah Feldman. Our social media manager is Steven Wendt.

David Feldman: Join us next week on the *Ralph Nader Radio Hour.* Thank you Ralph.

Ralph Nader: Thank you everybody. Congress Club members, get even more motivated. Read my book, *The Day the Rats Vetoed Congress*. You'll see what I mean.