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....After Seattle?

The following is part of a series of commentaries by people associated with *YES!* magazine and Positive Futures Network on the events unfolding in Seattle at the time of the World Trade Organization's meeting.

Taking on the Corporate and Financial Rulers: Our Goal is Political and Economic Democracy

Gethsemane Lutheran Church, 199 Stewart Street, Seattle
Friday, December 3, 1999 - WTO Week

by David C. Korten

Despite the scattered violence that has captured so much media attention, for the majority of people in the streets, this week has been one of the most remarkably inclusive and hopefully significant acts of love, compassion, and solidarity in human history. The new union forged between working people and environmentalists is surely of historic significance.

I have great admiration for the courage of the young people who acted here with well-informed commitment, putting their lives and liberty on the line in deeply meaningful and effective acts of nonviolent civil disobedience to assure that our message would finally be heard by those who have closed their eyes, their ears, and their minds to the reality of a world in deep pain. My heart goes out to all of you who have made it happen. We now have a critical opening in the long struggle to create a world that works for all. And we must use it wisely.

As I have only a few minutes let's get immediately to the heart of today's subject.

Of all the many important issues discussed in Seattle this week, in my mind the most fundamental is democracy. Who will make the rules by which we will live? Will it be people -- through the exercise of their birth rights as persons and citizens? Or will it be the institutions of the global economy -- global financial markets and corporations?

In very practical terms, will we adapt ourselves to the system of global financial and corporate rule even as we seek to reform it -- sitting at its tables and seeking to use its power to achieve human and planetary ends? Or will we make a commit similar to the one made by those some 200 hundred years ago who decided the time had come to replace the institutions of monarchy with the institutions of democracy? It is a critical choice central to how we move ahead beyond the historic events of which we have been a part this week.

The Publicly Traded Corporations, Limited Liability as an Institutional Pathology

We must come to terms with the basic nature of the limited liability, publicly traded corporation -- the institution that dominates both the WTO and the global economy. It's a legal instrument designed to concentrate economic power without accountability -- which means it is both anti-democratic and anti-market.

It is useful to recall that the modern corporation is a descendant of the chartered corporations -- such as the East India Corporation and the Hudson Bay Corporation -- that were formed by the British crown as monopolies to exploit colonial territories. They acted as governments unto themselves, fielded their own armies, and ruthlessly extracted wealth at the expense of the subject peoples. Contrary to corporate propaganda, the corporation was invented not to create wealth, as to extract and concentrate it -- and that is what all too many of them are still in the business of doing.

Indeed, life's closest analogy to the publicly traded, limited liability corporation is the cancer. We get cancer when a genetic defect causes a cell to forget it is a part of a larger whole and to seek its own unlimited growth without regard to the consequences.

Paul Hawken has compiled data suggesting that corporations in the United States now receive more in direct public subsidies than they pay in total taxes. That's only a small part of the story as it doesn't include the costs to society of unsafe products, practices, and workplaces or from outright corporate crime. In the United States we have over billing by defense contractors of \$26 billion. Over billing by medicad insurance contractors of \$23 billion. \$54 billion a year in health costs from cigarette smoking. \$136 billion for the consequences of unsafe vehicles. \$275 billion for deaths from work place cancer. Pretty soon it starts adding up to some real money.

In *The Tyranny Of The Bottom Line*, CPA Ralph Estes documented the annual costs imposed on the public by corporations in the United States. His total came to \$2.6 trillion measured in 1994 dollars. This is roughly five times the corporate profits reported in the United States for 1994 and the equivalent of 37 percent of 1994 U.S. GDP. If we extrapolate this ratio to a global economy with an estimated total output of \$29 trillion in 1997, we come up with a likely total cost to humanity upward of \$10.73 trillion to maintain the infrastructure of global corporate capitalism -- with the benefits going primarily to the wealthiest 1% of the world's population that has any consequential participation in stock ownership.

It is sobering to note that the corporation is one of the most authoritarian of human institutions. No matter what authority a corporate CEO may delegate, he can with draw it with a snap of his fingers. In the U.S. system, which is rapidly infecting Europe and the rest of the world, the corporate CEO can virtually hire and fire any worker, open and close any plant, change transfer prices, create and drop product lines almost at will -- with no meaningful recourse by the persons or communities affected. Given that our largest corporations command economies larger than those of most states, this represents an extraordinary anomaly in supposedly democratic societies.

With these characteristics in mind, let's review some frequently suggested responses to corporate rule.

- *Appeal to the corporate conscience to act more responsibly.* This buys into the fiction that the corporation has the qualities and moral sensibilities of a human being. A legal contract has no conscience and no loyalty to people or place. The people who work for corporations are merely employees subject to dismissal if they bring to bear any interests other than the short-term profits of shareholders.
- *Let the dynamics of the global market place take their course and trust that market forces will correct the dysfunctions by rewarding the responsible corporations over the irresponsible.* This suggestion is based on the false premise that market forces work naturally in the direction of rewarding corporations that internalize their full costs. It is a logical contradiction, since cost externalization is clearly an enormous source of profit.
- *Let the market decide as consumers and investors express their economic choices. People who want high labor and environmental standards will make their purchasing and investment choices accordingly -- paying higher prices and accepting lower investment returns where necessary.* This presumes that corporations have a right to externalize their costs onto the community and that if people want it otherwise they must pay. It also requires that consumers and investors resist corporate wrong doing corporation by corporation, deed by deed, through consumer and investment boycotts. It strips us of our rights as citizens and reduces us to expressing our preferences only in our economic roles as consumers and investors.
- *Regulate corporations through governmental action.* While regulation is essential in any market economy, relying on governmental regulation to reliably curb the excesses of corporations that command more resources than most states is a weak and temporary solution because of the inherent instability of the resulting balance of powers. Historically such balances have always broken down as corporation's have chosen to reassert their power.
- *Realign economic structures in ways that bring economic relationships into a more natural alignment with the public interest.* This requires replacing the present system of unaccountable rule by a corporate and financial elite with a system of political and economic democracy -- a project comparable to the human project of eliminating monarchy. It involves the elimination of the publicly traded, limited liability corporation as an institutional form. I submit that this is the only option consistent with the goal of creating just, sustainable, and compassionate societies that work for all.

It leads to an ambitious agenda, but one I believe to be within our means given how much is at stake and the evidence of a remarkable human awakening revealed by the events of the past week. Let me lay out some of its elements to illustrate the possibilities I believe we should be giving serious consideration.

- Radical campaign finance reform
 - Public financing of elections
 - Free air time for candidates
- Eliminate Special Corporate Rights and Exemptions
 - Legislation or constitutional amendment to strip away the legal fiction of

- corporate personhood.
- Legislation to remove the corporation's limited liability provisions. Corporate shareholders should bear the same responsibility and liability for the care and use of the corporate property as does any property owner.
- Eliminate Corporate Welfare
 - Withdraw corporate subsidies and tax breaks.
 - Implement cost recovery fees to offset otherwise externalized costs.
- From Absentee to Stakeholder Ownership
 - Incentives for stakeholder buyouts
 - Education on economic democracy and ownership participation.
 - Restructure worker pension funds to exercise rights of workers as nonfinancial stakeholders.
- Give Preference to Human-Scale Enterprises
 - Strong enforcement of anti-trust provisions.
 - Prohibitions on mergers and acquisitions.
 - Graduated corporate income and asset taxes.
- Restore the Integrity of Money
 - Eliminate dependence on debt based money by imposing 100% reserve requirement on demand deposits.
 - Prohibit all lending for financial speculation - eliminate the buying of stocks on margin and prohibit lending to hedge funds.
 - Restore unitary community banking.
- Reform international financial markets and economic management.
 - Currency exchange only on presentation of an invoice or airline ticket.
 - Restore national ownership and control of productive assets in low income countries -- a kind of international land reform initiative.
 - Eliminate Third World debts and the mechanisms by which they are created
 - Assign responsibility for matters relating to the international regulation of trade, finance, and corporations to an upgraded United Nations.
 - Close the WTO and the World Bank.
 - Reform and restaff the IMF with a new mission: to help countries balance international accounts and finance temporary short-falls in current accounts. Make it strictly accountable to the United Nations.

I suggest we be clear that our goal is not to reform global corporate and financial rule -- it is to end it. The publicly traded, limited liability corporation is a pathological institutional form and financial speculation is inherently predatory. As a first step both must be regulated. The appropriate longer term goal is to rid our economic affairs of these institutional pathologies -- much as our ancestors eliminated the institution of monarchy.

David C. Korten is the author of *The Post-Corporate World: Life After Capitalism* and *When Corporations Rule the World*. He is board chair of the Positive Futures Network, publishers of YES! and president of the People-Centered Development Forum (<http://iisd.ca/pcdf>). He holds MBA and Ph.D. degrees from the Stanford University Graduate School of Business and has served on the faculty of the Harvard Graduate School of Business. He has more than thirty years experience in Third World Development.
