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Reinventing the Corporation

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The corporate institution is ripe for reinvention. Because it is the central actor in economic life, Americans are not likely to achieve human scale aspirations for themselves or for their society nor are they likely to approach an authentic democracy until the corporation is reformulated in fundamental ways. The behavior of the corporation can be altered fundamentally only if organic changes are made within the corporation itself; if new power relationships are built into the functional design and new understandings are encoded in the operating culture.

I want to take you a little deeper into the swamp of understanding the corporation. I am not going to dwell on the sort of pathological symptoms and patterns of behavior which we are all trying to focus on, but how do you spot that? How do you change this animal from the way it behaves? I want to take you to a deeper story, one that is not about law or legal doctrine, at least not in the direct sense. It is more about the sociology, the morality, and the human relationships that make up a corporation.

I invite you, despite what you've heard and think, to see the corporation as a human institution. It is, after all, constructed by people; it is dependent on human interactions, and like all of us, it is fallible. One hopes, however, that it is subject to change. Despite its awesome legal privileges and all the rest, it is not invulnerable to people like us acting as citizens, owners, investors, workers, consumers, managers, and thinkers. Each of those different roles will contribute to the process of change. Different roles will also contribute in the coming decade or two to politics which will change sufficiently to address these matters. But meanwhile, people on a deeper level are already trying to change this institution. Maybe in small ways, maybe in large ways, but you are in that group. And I think it is going to be one of the leading preoccupations of this society for quite awhile.

The corporation is the primary social organization in America.[2] If you think about it, the only things that come close in universality are churches, synagogues, and houses of worship. Americans are in corporations. Some of them are quite small and not really corporations in the way we talk about the dominating institution. That is a really powerful fact to dwell on. This social organization claims a big part of people's lives; in fact, their lives are regulated in many ways by this organization. They also provide or deny not just incomes, but the kind of self-fulfillment, self-realization, and self-respect that we all want some measure of in our lives. We can then go on to the economic qualities of security and fairness, and so forth and so on.

Until very recently, approximately ten or fifteen years ago, this was a taboo subject in American culture. While there were some brave souls who wrote books about it, studied it and railed against the corporation as a per se corporation, this subject itself was out of bounds for respectable thought during the Cold War. For illustration, think of all the money and energy that has been spent over the generations studying the pathologies of the poor, and then compare it to how little has been devoted to the pathologies of the powerful, represented most obviously by the corporation. With that preface, I will throw a curveball at you. Not to provoke you, but to broaden your minds.

I want to explain the virtues of the corporation. It is important to see what is valuable in this institution; why it has endured and flourished. This helps to explain what startles us—why the corporation has become the standard common form of business organization in the United States most obviously, but around the world as well. There are reasons why this happened, despite waves and waves of reformers that have come at this organization for the last one hundred and fifty years. Now it stands not only enduring, but bigger and more powerful than ever.

We have been schooled by history and experience to assume the federal government will come in and solve this for us. It will enact regulation, essentially throwing some ropes around the animal. It will legislate some hard denials; you shall not do this or that; you shall not dump toxics in the river any more. You have to clean up the poison. You cannot brutalize young children in coal mines. You go down the list. That's the story of twentieth century politics, right? While I appreciate all the people and the brave politicians and labor leaders and reformers who did that, it did not change the animal much. Did it? Here we are, back again in different and new dimensions experiencing the same kind of out of control power. So, what is this animal about?

The first thing you need to get clear is that although the two interact constantly, the corporation is not the market place. It is *not* the market place. A corporation is a special organization chartered by law that allows certain things to go on protected from the marketplace. It is actually a shelter of sorts, allowing people to collaborate on a long term process. For instance, if you had to go in and out of the market every day to buy goods or to buy or rent labor, you could not sustain the process of development, innovation, or production. People at all layers can collaborate in very complex ways including designing, planning, researching, and marketing in order to integrate the very complex process of corporate life. The different layers and sub-cells of the corporation have to somehow work together so that management is able to coordinate and share their information.

I recommend a book about management called *Contests for Corporate Control*, by Mary O'Sullivan, an economist.[3] It is a quite good business and economics book that I drew on a lot in my book while trying to understand the corporation. She provocatively said that a corporation is a "learning collectivity."[4] That phrase itself reminds us that people do not tend to think of corporations as learning collectivities. But in the ideal sense, I think that captures it. She clearly did not want to say "collective" or "cooperative" or any of those other dirty words, because that brings a whole new round of connotations. However, her point is that the corporation can only do what it is intended to do if the learning is shared within it. The layers talk to one another continuously. We know that the people on the shop floor always have knowledge of the firm that the people up at the top floor do not have. They know things about the products, they know things about efficiency, and they know where the problems are. They may or may not share that with the managers because they put themselves at risk if they do. But the idea is getting an organization that continuously learns and questions itself. Such internal questions lead to innovation, which allows for successful competition, which, in turn, leads to the creation of real new wealth. That is the heart of the idealized animal we are looking at.

These qualities help explain the cloister-like organization needed to protect its creative processes from daily churning of prices and fads of the marketplace. It also describes how grotesquely the modern corporation has perverted the ideal of efficient communication. You cannot read the business pages everyday without seeing this failure. While these are gross generalizations, most modern big corporations do not innovate. They tend to grab what they see somebody else has innovated. In California, you know that story big time. The development of new technologies here becomes a question of: "When will the big gorilla come around with a bundle of cash and swallow me?" That is not innovation. Somebody else did that, but it was usually a very small entrepreneurial and risk taking firm.

The modern corporation, typically, does not create new wealth. For instance, if you look at the last twenty to twenty-five years, the process driving corporate profits has been about stealing somebody else's value. This was done in multiple ways. The most obvious example to an average citizen is a corporation taking wealth from its own employees. This is the opposite of a "learning collectivity." It is the top floor figuring out how to squeeze these folks down below a little more. Maybe it can cut their health care, their pensions; maybe it would force them into double-time shifts; maybe it just simply lays off the people who have reached a level of experience and age where they have become just too expensive; or maybe we can ship the jobs to Mexico, and then from Mexico to China, and so forth. While that is not creating new wealth, it is the way to profits in the continuous propaganda of Wall Street. Another version of that is to dump toxics in the river. The environmental, ecological damage doesn't show in accounting practices. That is another obvious deformity, not just in the corporation, but in contemporary orthodox economics. It is a way of stealing value from the society and from the future.

The values laid out as the ideal are a pretty good test when one looks at the performance of any and asks what needs to be fixed. Right now, corporate managements are harvesting old value from the past; from what somebody else worked for and earned, and they are short-changing the future. The symbol of this, which we are all familiar with, is an egomaniac called the Chief Executive Officer (CEO). How did these rapacious characters become the leaders with very tight personal control over what is, after all, the leading primary social organization in this country? Is that not a bizarre contradiction with what we say our values are as a country?

I want to read to you from Paul Hawken's comments.[5] He is a truly interesting original thinker. He said the CEOs are like the hungry ghosts in Buddhism: "In Buddhist iconography, the hungry ghost is depicted as a person with a huge stomach and pencil-thin neck who cannot get enough, whether it's drugs, fame, food, or money. He can never get enough. There are a lot of these people running corporations."[6] And it just goes on and on, does it not? For example, Maurice Greenberg, the CEO of AIG, a huge insurance conglomerate, was a few years back one of the icons who were critiquing global trading system and NAFTA.[7] Now we discover he is just like Bernie Ebbers of Worldcom and Ken Delay of Enron and all the others who have conned their way to fame and power.

I would also like to read an excerpt from William Lerach, one of the country's toughest plaintiff's lawyers. He has won hundreds and hundreds of millions of dollars from suing corporations and their executives. I did a piece on him in *The Nation* a year or two ago and he said,

> [t]he CEO ultimately gets brought down by the very personality characteristics that made him successful in the first place. How did

> these guys get to the point where they control a big public company? It's not because they take no for an answer. Their whole life has been fighting and overcoming people who say no, you can't do that, don't do it, it's illegal. These guys say, 'To hell with you, we're doing it, we're getting it done, and nobody can stop me.'[8]

Lerach knows these guys because he has sued them for twenty years. What does that image say to us? While I love this country, and I love its possibilities, and I believe in those possibilities, I think that image tells us there is a deep sickness in the order of this society that puts executives with these attributes again and again at the top of the pyramid. All of the people we have been talking about are committing the same crimes that were committed in the 1920s and the '30s[9] and a little bit after World War II. It raises serious questions about the adequacy of the regulatory state because those regulatory restraints enacted back then are now broken.

It also makes a mockery of some notions that have been very comforting to American politics over many decades. The first one is that the shareholders are in control, that they are the owners. That is a joke. We know that now; but they knew that in 1929, too, so it is not new knowledge.[10] The other mocked notion is that there are countervailing forces, which will check the excesses of corporations, the government, organized labor, and the various components of the financial system, and so forth. If that was ever true, it is now clearly bogus, defunct. We have to start with the reality and ask the questions of these relationships; not just how they got this way, but what are the elements of those relationships, and how would we reimagine the corporation and the power relationships both within it and without it? That might produce a different arrangement of who has power in the structure and decision making. If one believes in democratic possibilities, as I do, changing the power relations should, therefore, open the possibility of different kinds of decisions, better and more responsible for all.

So who owns the corporation if it is not the shareholders? I think it is pretty obvious especially from recent events, that there is a relatively small group of insiders who own it in the sense that they are controlling the principal decisions. They are also taking responsibility as owners are supposed to. Accordingly, these insiders own the rewards, and they can manage the flow of those rewards either in an equitable way or in a way that makes them into billionaires. While not all of them have chosen the latter course—most have, especially in the deregulated realities of the last twenty years.

I support shareholder power as a lever, but ultimately I do not think it has a place in the real control of a corporation except in very large aggregated ways. Large pension funds, such as public employee pension funds, are major shareholders, and they are still fighting to get a handle on at least their potential power as owners of corporations. Meanwhile, Wall Street, the Business Roundtable,[11] et cetera are (not surprisingly) fighting these efforts fearlessly and calling them labor goons and all sorts of other bad names. Yet pension funds are simply trying to assert the rights that they supposedly have as shareholders.

I have another model of ownership to suggest. It is a different version of the ownership society that Bush talks about, but one that I doubt he will get too close to. I think the real owners, as opposed to the fictional ones, should be insiders. The real owners are the people who are close to the firm, who participate in it, and have a real stake in it and take real risks in that role, and who should also share equitably in the rewards. This means everybody. This means the employees; this means the major financial investors; it means the top management; it means the janitors; it means the chemists; the accountants; it means *everybody*. We can argue over the definitions, but the point is we need to break through what is really a remnant of feudalism—the master-servant relationship in the ownership of corporations.

I want to read to you from Elaine Bernard, head of the Harvard Trade Union Program, who gave a devastating description of this reality: "As power is presently distributed, workplaces are factories of authoritarianism, polluting our democracy. Citizens cannot spend eight or more hours a day obeying orders and accepting that they have no rights, legal or otherwise, to participate in important decisions that affect them, and then be expected to engage in robust, critical dialogue about the structure of our society."[12] This statement is potent because it suggests that the decay of our democracy is grounded in the workplace.

Over the last generation, workers have felt increasingly confined in their jobs, and the fun has been taken out of their work. Workers have experienced this from top to bottom of the occupation ladder all over this country. They have had the value and self-esteem taken out of their jobs, as well as had their pensions gutted. This is not just an economic loss; it is a loss of self-worth. When this book came out, I had fascinating conversations with a lot of people who were not going to be poor, were not going to be bankrupt, but they had seen this happen in their companies, and they were trying to understand it because they had been told a very different story. They had been told that they were partners, and they often were. However, this was typically at small entrepreneurial firms doing real inventions. When the firm was acquired by a much larger corporation, the employees were often stripped of voice and self-direction in their work, leaving employees bereft in a deeply emotional way. Employees at every level have the capacity to both advance the company and to criticize it. However, this capacity only exists if the employees have the status to express themselves, and if the structure within the organization is designed to sustain a "learning collectivity," which can talk to itself in a way that is honest.

Workers, in other words, must be able to "own" their own work. There are basically three arguments on behalf of this idea. The first one is that the master-servant relationship is a violation of human rights. It is unethical to make people go to work and surrender part of themselves; their brain, their self-will, their obligation to be responsible for their own actions. That is natural law, fully explained in the work of economist David Ellerman.[13] A worker ought to "own" his own work. This means that a worker ought to be responsible for it, and get back from it what he put into it. This idea is as old as history. There is nothing radical about it. Unfortunately, it happens to collide with the way the employment system is structured, and that system is, not surprisingly, most convenient to the insiders who control corporations. They do not want to share that power. Some of them would like for people to pass on their ideas and to enjoy their work. But they are not really concerned about self-realization and fulfillment.

Secondly, the insiders who control corporations are not concerned about the mal-distribution of wealth. Louis Kelso, a San Francisco investment banker coming from a conservative libertarian perspective, said that this version of capitalism cannot survive with the mal-distribution of returns. This is because sooner or later workers, the broader population, will not have the incomes to support the kind of demand that keeps the economy going. Accordingly, they need two streams of income—one of wages, and one of income from capital, starting with stock they hold in their own company. This shared ownership has occurred in a very small way for approximately ten or eleven thousand companies. These companies have employee stock ownership, which does not necessarily turn them into utopian democracies, but they do deliver real wealth ownership to the employees. Sometimes, this more equitable distribution of rewards happens quite spectacularly. Kelso's view was that this was not a matter of moral virtue but a matter of keeping the system afloat.

As it is, the corporation is a principal engine of inequality in our society.[14] Ellerman calls this a "legal fiction."[15] That is, where the owners, managers, and board of directors have separated the workers from their true claims on the property they helped create through a legal fraud. While this phenomenon is more complex than I am describing, it is a central theological argument because we have hundreds of years of mythology heaped on us. Some of this mythology is just simply fraudulent while other parts of it are kind of well-intended fictions. Nevertheless, all of it dances around this question that Kelso and others have singled out: What happens to the people? What do they own of themselves, if they do not own the fruits of their labor?

The third argument is that employee ownership actually makes a more effective enterprise. There is a growing body of academic research that establishes that this is so. It stands to reason that employees who own a share of the company will be more interested in effective production and profit than people who do not. There are many ways to execute this idea of shares. You can do employee share ownership; you can do cooperatives; you can do partnerships. But however you do it, you are giving employees a stake in the outcome, and therefore, a stake in their own performance. This stake will not just be self-rewarding financially, but will be rewarding in terms of the employees' own sense of self-worth and personal responsibility.

Those three arguments actually work together fairly well. They can create, in the concrete sense, this corporation that Mary O'Sullivan describes as our ideal. As you go deeper into what you have started digging into—the nature of the law, the legal doctrine theory, the behavior of corporations—it is fascinating and helpful to search out and talk to some of the pioneers who are out there actually implementing these arguments. Real companies are truly sharing ownership. While they have all the struggles that any business enterprise has, they have for quite practical reasons taken on this other obligation—and they believe in it. Most of them are hardheaded businessmen. Some of them are owners of family companies, and they reach a point where they actually do it because they feel like it is the right thing. Their employees helped make this company succeed, and the owners are going to retire. There is nobody in the family that is going to succeed them. Why not sell it to the workers?

Last summer I went back to my high school reunion. I grew up in a very Republican part of Ohio. There was one real hardheaded conservative, and we just argued about everything. We would try not to encounter each other, but he came up to me at the reunion and he said: "You might be surprised to know my brother and I sold our company to the workers." I was surprised. I asked him six or eight questions because I knew the subject. I asked him why they did it, how they did it, and so forth. He gave all the right answers. I said: "Johnny, you're not going to like this, but you are a humanistic-populist-capitalist." He got this look on his face. I mean, he thinks I am some kind of radical. It took him about thirty seconds, and he said; "say that again." I said it again, and he said: "Huh." He seemed to be reevaluating himself with that phrase.

If I had more time, I would give you twenty examples, but I want to just take one from this area called Chatsworth Products, Inc., over in the valley.[16] It was a low-tech company making the metal frames and plastic box frames for stacking computers in the big computer centers. It was a subsidiary of a big electronics company, Harris. As big corporations often do, they looked over their balance sheets and said, "that doesn't fit our strategy and purpose, we're a high tech company, and they are just old-fashioned metal benders. Let's get rid of it." They were going to sell it off or close it down. It is small—six hundred to eight hundred employees. The employees rebelled, including the guy who was the manager of that subdivision. And they said, "Wait a minute, this is crazy. We're profitable, we know that. We do good work." But then, they discovered the techniques of employee ownership and decided to try to buy it. And they did: the employees became the owners—all of them. And that was in the early '90s. For over ten years the employees were the shareholders, and for over ten years the value of their private stock rose from $4 to $121 a share. Then, like other elements of their industry, they encountered the meltdown of the high-tech market. They had to layoff some people, which they struggled not to do, but they did. People walked out the door with, at a minimum, six-figure checks—their share that they earned from working and owning this company for ten years. Those who had put in some of their own money, their own savings in the buyout, could walk out with seven-figure checks.

While this is not typical, it is a small example of how the accumulation of wealth can occur in that more democratic fashion. Moreover, you have to remember that Americans of almost every level now need more savings. One of the reasons they do not have sufficient savings is because they are cut out of that wealth accumulation process.

The man who became CEO of Chatsworth is still there. I encourage you to drive over the hill and meet him some day. His name is Joseph Cabral, and he is not a political philosopher. He is an accountant. He was trained as an accountant and later got into management. He told me that,

> [e]verybody is sharing in the wealth that they're creating. There's a fundamental philosophy of, We're all in this together. We're not just doing this for some outside shareholder, we're doing it because *we* are the shareholders. In most companies, you want to do well in order to have a job or career advancement, but you're basically in it for the paycheck. In [Chatsworth], we created this wonderful foundation of ownership, and people were totally aligned with the success of the company.[17]

That makes perfectly common sense.

This is not a Marxist philosopher talking about what the accumulation of wealth is doing to America. This is not a radical man. This process of conversion happens in many, many different ways, but is always difficult. It is not really the financial arrangements that are the most difficult part, or getting the legal papers for ownership trusts. The difficulty is that conversion requires people to change themselves. This includes everybody involved—even the virtuous few who understand it fully have to re-experience what it means to go to work where you own part of the company. The managers have to manage in a different way because they now have subordinates who also happen to be share owners of the company. The workers on the line have to reimagine who they are.

To me that is the most valuable piece in the whole story. Life in a corporation could become another channel for self-realization, instead of top-down confinement. I have seen enough living examples to believe this is possible. In particular, I have seen people of very humble status—not overeducated, with many things going against them—become engaged in a struggle, and discover that there is more in them than they knew was there. They grew as people and broadened what they care about and what they feel responsible for. The original idea of human society in America was a society where people could develop that deeper side of themselves and feel good about it, and also be productive for the whole and be rewarded justly for their efforts.[18]

I believe this idea of ownership—of workers owning their own work—represents the next great threshold, the next transcendental leg in development of societies. I think it is even conceivable that with the right education and the right breaks and the new legal ideas and theory to accompany them, it would take far less than half a century to reform corporate culture. But even if it takes a generation to get a quarter of the country or 20 percent or 15 percent of the country organized in this way, corporate reality will be changed. It will result in an alternative system within American capitalism that behaves quite differently and then becomes a political force for changing the rest of them.

Other dimensions of capitalism, specifically finance, also have a profound effect on corporate culture. Reforming finance capital is in many ways a bigger mountain than reforming the corporation. But there is also a lot of pioneering work going on in local and regional investment firms where people put some of their savings in those funds with a guarantee that the money will be devoted to investment in local development companies and other projects that will follow the investors' own prescribed list of values. There are other channels in finance that some people are starting to use to implant broader social values in capital investments, like direct equity investment. The world of socially responsible investing should aspire to reach a whole new level, rather than just standing aloof from the bad guys and not playing with them. The next generation should invest aggressively and actively behind a set of values that it knows are right and that conforms to values that are good for society. While this evolution is creeping along right now, I hope for a big acceleration.

After my book came out, I received a call from Leslie Christian, a woman from Portland. She is a Wall Street veteran who, like more than a few people I have met, did ten years on Wall Street and could not stand it. It was making her sick, so she got out and started a progressive investment firm that does socially responsible investing.[19] Her firm is starting a brand new and very rare thing: an investment-direct equity holding company that buys small companies, or buys big positions in small companies according to the set of values that the investors have already specified and that the company also wants to adhere to. This is the kind of marriage between finance and values that is absolutely necessary. Without it, you are always going to go to the banker or to the stockbroker and they are going to say: Forget it; we're not going to lend you capital if you are doing that "airy fairy squishy social stuff." Christian is a pioneer trying to build this venture, and she will make it happen. The firm will own pieces of, maybe big pieces of, lots of companies. And it will be what amounts to a secured guarantee of capital. In return, the companies all have to make money that goes with the system, but they also have to adhere to their covenant, their promises. Covenants, by the way, are quite standard in Wall Street finance. When I finally asked her why she was calling me, she explained: "Well, I read your book and I'm interested in your six principles." She wanted to know if I had authority for my principles. She did not ask it that bluntly, but that is why she called. And I had to tell her no—that I had made them up from my experiences as a reporter. Specifically, I extracted them from talking to lots of different people in the real world about how to think about this subject of corporation.

The following are the six founding principles for what I call a "social corporation." First, it must create new wealth—not just profit in the narrow sense, but enduring value added to the material basis needed to sustain a civilized society (that is how Keynes defined real wealth).[20] Wealth matters, particularly if it is creative for the society.

Second, it must create harmony with nature.[21] Instead of stealing assets from the future, it should use and restore what nature provides. That is the idea of ecology.

Third, its internal governance should reflect democratic understandings.[22] All the owners are responsible. All participate, all share the returns.

Fourth, it must create covenants with our communities.[23] Like covenants made with investors or creditors—promises of behavior that can be enforced. You take your money away or you close the deal down.

Fifth, it must promote unbounded horizons for every individual within the corporation—in short, the full potential for self realization.[24]

Sixth, it must make a commitment to defend society's bedrock institutions, from family life to the integrity of democracy.[25]

There is also a seventh idea that is not a principle, but is more of an aspiration: altruism. You want a company organized so that it encourages altruism.[26] This does not wipe out self-interest. We are all self-interested creatures and we will—and should—pursue self-interest. But you want to create an ethos in which people will also act selflessly for "the greater good of all" when they see the need. I know that sounds very "squishy." Maybe not with this audience, but if I went out down the street a ways, altruism would not be taken too seriously. That is okay—they are not ready for these things, but we are advanced human beings here, we can talk about altruism, right? I got that inspiration from talking to a guy who is a weird combination—a mathematician and scientist as well as a consultant to big, big corporations, and who gave me a long lament about the decline of integrity within corporations. He said his reading of history told him that any society that discourages altruism will not survive. Moreover, he said that societies that succeed will always create a platform for altruism.

When you think about what this country has been through in the last twenty to thirty years, we all know what the culture is. Get yours, get it now. If you have to elbow somebody out of the way, that is the way life goes. This mindset is the opposite of altruism. We can also think of the people around the country who are living, dramatic, sometimes tragic examples of altruism in action. One of the big reforms is getting this country back where people will not giggle at you when you say "altruism."

Thanks very much.

Are there any questions?

Q: What about cooperatives like Mondragon?

A: I do not know how many of you are familiar, but Mondragon is a network of cooperatives in the Basque region of Spain. It was started right after World War II by a Spanish priest who had the ideas and the conceptions and it has flourished. They are organized as cooperatives, not share-owned companies, and there are approximately one hundred to one hundred fifty of them ranging in sizes. Their endurance, equity, and innovation have been extraordinary. They have two features which make them special. One is that they understood from the beginning that they need their own financier. Accordingly, they started their own bank at the center of this network, and it has exercised its control. However, since it is part of the organization, it exercises positive control for the values of the Mondragon network of companies. And that is a kind of an internal accountability system that I am trying to envision in this country.

The other distinctive quality, alas, I do not think we can emulate. John Logue, who directs the Ohio Employee Ownership Center—some five hundred employee-owned companies—used to say to people when they asked, "why don't we have a Mondragon in Ohio?" He would reply: "Because we don't have enough Basques." His point was that you cannot deny that ethnic solidarity and religion played a role, and the fact that the Basques were the excluded ethnic group in Spain. So, those cooperatives were all motivated by aspirations of solidarity. Americans have the opposite quality; we have great diversity. We are not so good on solidarity, but that can be overcome.

John started a conversation at a seminar in Ohio by saying that he had always dreamed of having a Mondragon in Ohio. He meant more narrowly an industrial park that was composed entirely of employee-owned companies. He has not succeeded in that yet. But he said: "If we did that, what would we have? What would we do? How would it matter to have twenty or thirty small companies, all more or less the same value structure and ownership—that is, owned by the people who work there?" The most interesting conversation followed in which people had fifteen or twenty ideas on the blackboard of what could be done cooperatively at this place. Among other things, it just demolished the clichés about how the people who are below the management level do not care about these things or are not smart enough to think about them.

Q: Why do you want worker-owned companies to replace the present corporation?

A: My fundamental belief in life is that democratic decision-making has a capacity to change outcomes, and do so in a way that most people eventually will accept. I do not have a perfected sense of democracy and I do not expect to see one. But I have seen it work that way. The story I tell in the book is a good deal more complicated than worker ownership. I argue that these different types of roles, including citizen, politician, and investor have the potential to create change. For example, little investors are organizing themselves to speak, or to invest, in one of these local development funds, instead of sending the money off to a mutual fund in New York. This creates change in corporate culture. The change is about people taking responsibility—for their work, for their investing, for their obligations to society and the future.

This is really about the values that are at the core of mass consumption. It is a great paradox, and this is not an original observation of mine, but the people have been shrunk to the role of consumer, which is fundamentally a powerless role, and the folks who run the system want to keep it that way. Meanwhile, there are Americans all over the place—a lot more of them, I want to say, on the West Coast—rebelling against that, and winning sometimes.

I think the larger conception is moral. The mass consumption in this country and some other places around the world is destroying nature. I would guess most of you know that story—at least in general. This is not a trivial question. It is an ultimately life threatening question. The good news is that this is a solvable problem. Both the technological knowledge and the innovative capacity of this country can begin and literally transform the industrial processes and the content of products in a way that gets to zero damage someday. While this probably will not happen in our lifetime, it can happen further down the road. It ought to be the goal that we will nurture and protect and advance. That cycle of life, death, renewal—that is, nature's cycle—must be incorporated in the economy, and we will reorder industrial production and products to fit that process of nature, rather than to injure it.

I am trying to suggest to people that they are all connected at different levels by this problem we started with, which is the capitalist system as it now functions. What irritated a lot of people was the suggestion in my book that the federal government is not going to do this for us, and neither is the California government. We are at a moment in history, which is the beginning of the first stages of fundamental reform. But we are really only just at the beginning. It is not only that we do not have the political power to legislate any of these ideas, but that we do not know how to legislate them yet. We have to learn from ourselves. That is what the federal government cannot do for us. It would be a disaster if it was tried.

I am not talking about waiting around forever, but to close my circle, this is what you all are about. I think, I hope. You cannot rush that process in some ways. We have to be patient with ourselves. What you know and understand, and what you think is true, is complicated; you will get some things wrong, and you are going to have some arguments. That is the human condition. But they will be respectful arguments. One hopes. This is good.

Thank you.

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[1] William Greider is national affairs correspondent for The Nation magazine and author of many books, most recently THE SOUL OF CAPITALISM: OPENING PATHS TO A MORAL ECONOMY (Simon & Schuster 2003). Others include: SECRETS OF THE TEMPLE: HOW THE FEDERAL RESERVE RUNS THE COUNTRY; WHO WILL TELL THE PEOPLE: THE BETRAYAL OF AMERICAN DEMOCRACY; and ONE WORLD, READY OR NOT: THE MANIC LOGIC OF GLOBAL CAPITALISM. He is neither a lawyer nor an economist but a reporter, formerly at the Washington Post where he also served as assistant managing editor for national news. A native of Wyoming, Ohio, he is a graduate of Princeton University.

[2] Corporations are the largest institutions in America in terms of both size and membership. A social organization organizes people together in activities, but we are not used to recognizing the corporation's role as a "social organization."

[3] MARY O'SULLIVAN, CONTESTS FOR CORPORATE CONTROL (2000).

[4] *Id.* at 40.

[5] Paul Hawken is an environmentalist, entrepreneur, journalist, and best-selling author. At the age of twenty, he became fascinated with the relationship between human and living systems. His concerns extended from health to farming, from commerce to social justice. He started several ecological businesses, he writes and teaches about the impact of commerce upon the environment, and he consults with governments and corporations on economic development, industrial ecology, and environmental policy. He is author and co-author of dozens of articles, op-eds, and papers, as well as six books including THE NEXT ECONOMY (1983), GROWING A BUSINESS (1987), and THE ECOLOGY OF COMMERCE (1993). Mr. Hawken has founded or co-founded several companies including Groxis, a graphic information delivery provider for search engines, libraries, scientific repositories, and databases; Metacode, a software company specializing in proprietary content management tools; Smith & Hawken, the garden and catalog retailer; and several of the first natural food companies in the U.S. that relied solely on sustainable agricultural methods. PaulHawken.com, http://www.paulhawken.com/#Anchor-Paul-49575 (last visited Nov. 12, 2005).

[6] WILLIAM GREIDER, THE SOUL OF CAPITALISM: OPENING PATHS TO A MORAL ECONOMY 209 (2003).
[7] North Atlantic Free Trade Agreement.
[8] William Greider, *Is This America's Top Corporate Crime Fighter?*, THE NATION, Aug. 5, 2002, at 11 ; GREIDER, *supra* note 6, at 209.
[9] For example, the financial fraud and corrupt deception that led to the crash of 1929 and New Deal reforms.
[10] The ruling notion then, as now, was that shareholders are the owners of the corporation. We have recently re-learned what people knew eighty years ago.
[11] Business Roundtable is an association of chief executive officers of leading United States corporations with a combined workforce of more than ten million employees. The Roundtable is committed to advocating public policies that ensure vigorous economic growth, a dynamic global economy, and the well-trained and productive U.S. workforce essential for future competitiveness. Business Roundtable believes that its potential for effectiveness is based on the fact that it draws on CEOs directly and personally, and presents government with reasoned alternatives and positive suggestions. Business Roundtable, About Us, http://www.businessroundtable.org/aboutUs/index.html (last visited Nov. 12, 2005).
[12] Elaine Bernard, Why Unions Matter (unpublished manuscript, on file with the Seattle Journal for Social Justice), *available at* http://www.law.harvard.edu/programs/lwp/eb/whyunion.pdf
[13] *See* DAVID ELLERMAN, PROPERTY AND CONTRACT IN ECONOMICS: THE CASE FOR ECONOMIC DEMOCRACY (1992).
[14] Because the insiders at the top of a corporation determine how profits will be distributed among participants, employees are typically deprived of the right to share in the new wealth produced by the firm. Thus, the typical company guarantees the mal-distribution of wealth that persists in American society.
[15] ELLERMAN, *supra* note 12.
[16] Chatsworth Products, Inc. makes structural support systems used to organize, store, and secure valuable computer, data, and communications equipment. It is headquartered in Westlake Village, California. *See* http://www.chatsworth.com.
[17] GREIDER, *supra* note 6, at 82.
[18] *See, e.g.,* DECLARATION OF INDEPENDENCE (U.S. 1776)
[19] Christian is now an executive of Progressive Investment, based in Portland, OR.
[20] GREIDER, *supra* note 6, at 258.
[21] *Id.*
[22] *Id.*
[23] *Id.*
[24] *Id.*
[25] *Id.* at 259.
[26] *Id.*