CHAPTER NINE

Corporate Structure and Power

IN DECEMBER 2ooi, shock waves rippled first through the business world and then through all segments of society. The front-page story of almost every newspaper in every country shifted from the war on terror to another: one of the most dominant and successful energy companies in the world had suddenly filed for bankruptcy. Enron Corp., once celebrated as the leader of a new wave of innovative enterprise, had managed to spearhead the conversion of electricity provision in much of the United States into a privatized speculative commodity, contributing to big energy problems in California while avoiding government oversight. It had also brilliantly contributed toward and then exploited the global deregulation juggernaut that accompanied the new rules of the WTO, the GATS, and other agreements in order to gain entry into foreign countries and gather up tens of billions of dollars in overseas assets, while causing grave social and environmental problems in such countries as India, Bolivia, the Dominican Republic, and over two dozen others.

Enron had also enjoyed windfall benefits from the structural adjustment loan programs of the World Bank and the IMF by steering—with the help of the banks—development loan funds given to foreign governments back to itself through fat contracts built into the loans. It used corporate-friendly U.S. tax laws to hide negative performance and appear profitable despite dangerously overextending itself.

Finally, on the brink of ultimate failure, the company abandoned the interests and loyalty of its own workers by knowingly allowing their stock

investments in the company to collapse. At the same time, top executives sold their own stocks at huge profits, even receiving bonuses as they departed.

Once it was exposed, Enron's performance was seen as so shocking, and the public outrage was so great, that even company backers in the White House found themselves too politically vulnerable to assist their former friends and colleagues. They tried to treat Enron as if it were the rare exception to otherwise responsible corporate behavior in the United States—the proverbial "one rotten apple in the barrel."

Unfortunately, the Enron experience actually teaches very different lessons. First, the evidence that has emerged since this scandal first broke shows that although its activities were unconscionable, many were within the bounds of the law—the fruits of corporate cohabitation with government and a deregulated system.

Second, this kind of reprehensible behavior was entirely predictable, considering the nature of corporate structure today and the prevailing rules that guide corporate priorities and institutional investors—short-term profit and hypergrowth with little place for community concerns.

Finally, as has been exquisitely revealed by subsequent examples, from WorldCom to Halliburton, Xerox, Tyco, and other corporate giants, the problems are far from unique to Enron. In fact, they are *systemic.* Enron was only a case in point. The way to fix Enron, like other corporations, is to fundamentally change the system.

At the dawn of the twenty-first century, the global corporation stands as the dominant institutional force at the center of human activity and the planet itself. Indeed, according to a report by Sarah Anderson and John Cavanagh of the Institute for Policy Studies, by the year 2000 the combined sales of the world's top two hundred corporations exceeded a quarter of all countries' measured economic activity. If one listed the top one hundred economic units on the planet, fifty-two would be corporations, and only forty-eight would be countries. These globe-girdling firms have become both the prime beneficiaries of and the driving forces behind the new architecture for global governance and the trade, finance, and investment regimes that now rule people and life on earth.

The immense scale and extreme concentration of the powers of global corporations stifle both democratic expression and market competition. In

six key industries, for example—consumer durables, automotive manufacturing, aircraft manufacturing, aerospace, electronic components, and steel—five firms control more than 50 percent of the global market. So, rather than contributing to healthy market competition as envisioned by globalization and capitalist theories, globalization has instead led directly to global oligopolies. In many cases, as in agriculture, the dominant few global corporations (Archer Daniels Midland, Monsanto, Novartis, and others like them) exercise control over multiple aspects of the production cycle—the raw material inputs and distribution, the seeds and chemicals, the farmers, the processors, the distributors, and the retailers—amounting to extensive vertical integration. Global prices and the food supply—and its quality—are thus subject to corporate control. Such staggering corporate concentration utterly overpowers and defies traditional market theories that envision a multitude of healthy small and medium-size enterprises competing with each other over quality, price, and innovation. It also impedes all conditions favorable to democracy, economic justice, and environmental values.

Corporations have become the primary organizing instrument for economic, political, and social activity on the planet. Through their market power, billions of dollars in campaign contributions, public relations, advertising, and sheer scale, corporations create the visions we live by and exert great influence over the political power structures that rule us. It is fair to conclude, as David Korten has written, that corporations have already achieved "corporate rule" to the detriment of democracies, social equity, and nature. It is exactly for such reasons that fierce global protests have brought millions of people onto the streets to demand massive structural change in corporations, the rules they operate by, and their very existence.

In any just and sustainable society, it is unlikely that global corporations would operate as the primary organizing force they are in our world today. Indeed, if we are to achieve such a society, corporate structure will need to be altered—away from the current model that brings with it an intrinsic set of values that have to do only with the narrow successes of the corporation itself and are diametrically opposed to the ten principles for sustainable societies outlined in chapter 4. We must dramatically change the publicly traded, limited liability global corporation, just as previous generations set out to eliminate or control the monarchy. Any citizens' agenda for transforming the global economy must be rooted in plans to solve this problem.

This chapter focuses on the possibilities for such change. It begins with a brief review of certain key features of corporate structure today, because much of the problem of corporate behavior is rooted in the institutional forms and structures themselves.

Next, the chapter reports on the variety of activities already being undertaken by citizen groups around the world, covering a spectrum from reform of corporations to their decommissioning. Finally, it presents some ideas about alternative business structures that are far more consistent with our ten principles.

Corporate Structure Today

Corporations are generally divided into two categories, those that are *privately owned* by a small number of individuals or families and those that are *publicly owned and traded.* There are important and consequential distinctions between them.

PUBLIC AND PRIVATE CORPORATIONS

Some privately owned corporations have grown very large, even global (for example, Bechtel, Cargill, and the other highly secretive grain-trading companies). These large private companies have gained many of the benefits that publicly held corporations have: efficiencies of scale, domination of markets and resources, political influence, attractiveness to lending institutions. But large private corporations are relatively few in number, and their overall impact is less than the greater number of large publicly held, limited liability global corporations.

When corporations are said to be *publicly traded,* it means that their ownership shares are freely exchanged in public share markets by large numbers of people who have little involvement with the operations of the firm, other than hoping for a passive financial return. Trading in such public shares is called *investing,* but it also may be likened to a sophisticated form of gambling, rather like betting on a horse race. Most shares of public corporations are not actually held directly by individuals but by professionally managed mutual funds, insurance companies, pension plans, and other investment institutions. When people buy shares in these managed funds, they usually have little knowledge

about precisely which companies the funds own, let alone what kinds of activities those companies engage in with their invested money.

To attract investments from the public, there is heavy pressure on most public corporations to make their stocks seem as appealing as possible in terms of growth and profitability, leading many to make decisions based on short-term appearances of health (as with Enron, WorldCom, Halliburton) or to engage in rapid depletion of natural resources, like forests or fisheries, to create short-term profits at the expense of long-term environmental health and a permanent resource base. The intrinsic need of public corporations to drive optimistic impressions of investment opportunity is at the root of considerable social and ecological harm. Publicly held companies must seek continual growth and expansion—ever more markets, labor, and resources—because they must show positive balance sheets, even in their quarterly reports, to impress investors, bankers, and the financial communities on which they depend. The homily "grow or die" is especially apt for public companies as growth and profit become obsessive goals, far outweighing any moral, ethical, or environmental considerations.

On the other hand, although privately held companies often behave exactly as public companies do, they do not have the same built-in systemic imperative to impress the financial community or investment markets because they are partly outside that system. A family or individuals running a private corporation have, at least theoretically, greater freedom to make decisions that are not solely in the interest of maximizing profits but might be thoughtful of the community, workers, and nature. There is room in a private company for a mix of values, and we have seen examples of privately held, usually smaller companies—Patagonia, Ben & Jerry's, and The Body Shop are a few—that were willing to sacrifice some profits to support greater community or environmental goals. Of course, the private corporation sometimes "goes public" through stock offerings or is bought out by a much larger public company. Once that happens, altruism may decline or disappear. None of this is meant to ignore the performance of those private corporations that seem never to have noticed that they have a greater opportunity for responsible behavior. Indeed, some companies remain private for secrecy reasons, because private companies are not required to file financial reports with the SEC and other government agencies. And some private firms, particularly in the textile sector, have abysmal labor records.

As for the term *limited liability,* it refers to the fact that though corporate management is technically accountable to shareholder-owners and acts on their behalf, shareholder-owners have no personal liability besides their investment in the firm for any consequences of corporate management acts. This built-in distance between the technical owners of the corporation and the people who actually operate it insulates them from liability for (and even knowledge of) any harms eventually done by the corporation. It also removes a level of engagement, accountability, and transparency that would more likely exist if investor liability was maintained. (In practice, most CEOs are now paid overwhelmingly through stock options and have become large owners of the companies they also run; in this ownership capacity, they too enjoy limited liability.)

CORPORATE CHARTERS

Corporations dominate societies and help create the power structures that rule us, yet paradoxically, they remain ephemeral entities. Although such names as ExxonMobil, McDonald's, Shell, Microsoft, Disney, Sony, and Monsanto are emblazoned in our brains, as familiar to us as old friends, in fact these institutions have no real physical existence. They own buildings and stadiums and wield stupendous powers, but corporations themselves have no concrete form. They have people who work in them, but corporations are themselves not alive, so they cannot inherently embody the same range of values and emotions that we expect of responsible people: altruism, shame, community concern, loyalty to one another, and so on. This distinction between corporate structure and the people who work within corporations becomes crucially important in explaining, as former American University professor Ralph Estes puts it, "why corporations make good people do bad things" (from his book *Tyranny of the Bottom Line).*

In the United States, corporations gain their existence through the laws of state governments, augmented by federal regulation. Corporations are direct legal creations of state corporate charters, so theoretically they are expressions of popular sovereignty. State corporate charter rules *could* theoretically set any conditions that popular will might dictate—from who should be on the boards to the values corporations must operate by to

whether they may buy up other enterprises, move to other cities and countries, or do anything else that affects the public interest.

Hundreds of years ago, state charters contained significant restrictions and much higher standards of accountability and responsibility than they do today. But as the landmark research of Richard Grossman and Frank Adams of the Program on Corporations, Law and Democracy (POCLAD) has revealed, corporations have managed over the centuries to wear down the kind and quality of state charter rules as well as the state and federal laws that govern their existence. By now, these directives contain relatively few restrictions, and even when corporations violate these restrictions their permanent existence is rarely threatened. Governing bodies today, beholden to corporations for campaign finance support, are loath to enforce any sanctions except in cases of extreme political embarrassment, such as has occurred with Enron, Arthur Andersen, and select others. Even then, effective sanctions may be few and small.

These virtual entities that we call corporations have now advanced to where they enjoy a great many rights similar to those granted human beings. *As* we explain later in this chapter, U.S. courts have ruled that corporations are "fictitious persons," with the right to buy and sell property as if they were people, to sue in court for injuries, and to express "corporate speech." Advertising, public relations, and campaign funding have all been ruled legitimate, *protected* forms of corporate speech—under the First Amendment of the U.S. Constitution. (See also chapter 8.)

Although corporations enjoy legal "personhood rights," they have not been required, for the most part, to abide by normal human responsibilities. They are strongly protected by limited liability rules, so shareholder-owners of a corporation cannot be prosecuted for acts of the institution. Nor, in any meaningful sense, is the corporation itself vulnerable to prosecution. Corporations are sometimes fined for their acts or ordered to alter their practices, but the life of the corporation, its (virtual) existence, is very rarely threatened—even for great crimes that, if carried out by people in many states of the United States, might invoke the death penalty.

In fact, corporations are likely to outlive the human beings who have been part of their operation, even those who own them, the private or public shareholders. Unlike humans, corporations have the possibility of immor-

tality, at least until some future generation of owners files papers that put them to death.

The central point is this: lacking the sort of physical, organic reality that characterizes the existence of human beings—including the feelings of altruism or, on the other hand, shame—the corporate entity, this concept, this collection of paperwork that has been granted such enormous power, is literally incapable of the social, environmental, or community ideals that we keep hoping it will pursue. Its entire design is to advance only its own self-interest.

Under the distorted system by which corporations are chartered today, it is not in their structure or nature to operate with altruism, idealism, or community or environmental values. When corporations do trumpet such values—as they sometimes do in public relations and advertising or in response to scandal or political pleadings—it is usually precisely because public outrage about a lack of morality has forced them to do so.

Of course, most people will argue that corporations could be more responsible or moral and less self-interested if only the individuals working in them would steer the machine in a more positive direction. (A section following this will make that point.) But the possibilities of that kind of change are ultimately small, at least for publicly held corporations. We have the terrible experiences of the *Exxon Vdldez* oil spill off Alaska, for example, and the Union Carbide chemical releases in India. In both cases, when the accidents became known, the heads of each corporation expressed great personal grief and issued apologies for the actions of the corporation. And yet, within a few weeks, they had completely reversed themselves. Where they had first reacted as human beings, they soon had to withdraw from personal feelings that were inapplicable to corporate structure. They began battling mightily against all legal efforts to force them to admit blame or agree to pay damages. This too is built into the corporate form. If corporations officially admit guilt, then stock prices fall, shareholders revolt, bankers withdraw support, lawsuits develop, and investigations and prosecutions sometimes ensue. As for the executives making such admissions, they would certainly be fired for violating the limits of the corporate form, and the next person would be strapped onto the wheel. *When it comes to corporate behavior, form determines function.*

In addition to these unfortunate characteristics, the corporation is also

one of the most authoritarian of human institutions. Management authority resides in a chief executive officer, who is accountable to a board of directors charged with assuring that the CEO represents shareholder financial interests. Although the size of a large corporation demands substantial decentralization of actual decision making, formal power resides primarily with the CEO, who has virtually unlimited authority to hire and fire employees, open and close plants, and buy and sell companies. Those whose lives are harmed—even devastated—by these decisions have little recourse. These limitations of publicly held corporations are particularly evident in U.S. firms. Some Asian and European countries have created checks that allow more space for corporate actions that reflect the broader public good. In Germany, for example, firms larger than a certain size must place worker representatives on their boards of directors. This introduces the direct concerns of a vital segment of society into the corporate boardroom.

Similar rules could, of course, be made in any country about board structure, involvement of stakeholders from the community, restrictions on corporate mobility, worker rights, environmental values, or reinvestment of profits. In the United States, an appropriate mechanism would be to build such new rules into state charters, giving the citizenry a much higher degree of control over corporate behavior and options than at present and confirming citizen sovereignty over the institutions that run society. The Program on Corporations, Law and Democracy is currently attempting to institute initiatives to realize this strategy; we will come back to those later in this chapter. And some years ago, Ralph Nader promoted the idea of a federal charter for corporations, with many new rules to assure responsible behavior by corporations and a shift away from the value system by which corporations currently operate. Shifting the locus from the state to the federal level eliminates the option that corporations might relocate out of any state that adapts tougher chartering language. With the Enron and WorldCom scandals still fresh in our minds, this might be a good time to reintroduce the concept of a federal corporate charter in the United States. Meanwhile, such possible innovations notwithstanding, corporations as currently structured remain free of any ultimate responsibility to act in moral, altruistic, or any other ways that are beneficial to the community, workers, or the environment. For corporations today, the only principles that have meaning are these:

- The absolute imperative to make a profit
- The imperative to continuously grow and expand territorially and functionally
- The need to control the regulatory, investment, and political climates—locally and globally—to remain as unrestricted as possible in behavior, geographical reach, and access to markets, resources, and labor

Citizen Actions Against Corporate Power

There is a rich history of citizen and worker movements attempting to resist corporate power around the world. The issues gained a new urgency during the 1990s as corporations accelerated their global consolidation.

Citizen activists have pursued a variety of campaign strategies to resist the corporate advance, ranging from reformist to transformative approaches. Reformist strategies—which include attempts to increase corporate responsibility and accountability and to exclude or remove corporations—assume that although there is a need to fine-tune the existing system to somehow strengthen the role of social and environmental values in corporate decision making, the system is basically sound and corporations are, on balance, playing essential and positive roles. *Reformists* implicitly believe that global corporations are here to stay, have a right to exist in their current form, and have the potential to function as responsible citizens—even to chart humanity's collective course to a just and sustainable world.

Some activists, however, reject the idea that corporations have a natural right to exist. Following the Battle of Seattle, Kalle Lasn and Tom Liacas of *Adbusters* magazine called attention to what they term the *corporate crackdown.*

> The corporation won't come out of this intact. The new activists—and this is what. . . all the keepers of the old order don't get—are no longer protesting against the harms that corporations do, they are protesting against *the corporation itself.* These new activists want to go back to the beginning, back to the laws and legal precedents that gave birth to the corporate "I." They want to tinker with the corporate genetic code, to change the laws under which charters are granted and revoked, the laws that protect investors from even the foulest taint of their investments, and the rules and regulations under which corporations operate from the local to the international level.

We can call this group the *corporate abolitionists* because they believe it is no longer sufficient to single out those corporations that cause harm to people and the environment and try to make them become more socially responsible. They seek the death penalty for corporations with a habitual record of criminal activity. They call for a comprehensive rethinking and redesign of the corporate charter and corporate law to eliminate those characteristics that make public corporations a threat to the well-being of people and the planet, with their concentration of power, absentee ownership, and limited liability.

The underlying premise of the corporate abolitionists is that to end corporate rule, it is necessary not only to eliminate persistent corporate recidivists but also to eliminate those features of the corporation that make corporate rule possible. It will take decades to achieve this end.

In the meantime, there is a place for all of the varied strategies that the different activist groups currently employ. We lay out six options here, starting with the more reformist and going through to the more transformational.

PROMOTE CORPORATE RESPONSIBILITY

One of the long-standing strategies of corporate activists is to call for corporate responsibility. More than the other reformists, those calling for corporate responsibility accept the existence of corporations but ask them to act in a more socially responsible manner, often in relation to specific environmental, labor, and human rights issues. This call is often backed by consumers and shareholders. Religious organizations that have investments in a corporation, for example, may file a shareholder resolution calling for changes in its operations concerning a concrete case of social or ecological harm and organize other shareholders to support the resolution. This strategy was effectively used during the 1970s and 1980s to press commercial banks and other financial institutions in North America and Europe to withdraw loans from the apartheid regime in South Africa. Eventually, this shareholder call for divestment proved to be an effective tool in weakening the apartheid regime.

New York-based Corporate Campaign, Inc. carries out what it calls a *power analysis* of the main stakeholders of offending corporations in order to

develop strategies targeted to those corporations' critical vulnerabilities. The strength of this approach was demonstrated by environmental activists in British Columbia in the mid-1990s, in their successful campaign to stop clear-cut logging in old growth forests. By targeting the customers and suppliers of the big forest corporations, they were able to exert sufficient counterpressures to compel the companies to change their destructive practices.

In recent years, corporate responsibility strategies have taken other forms as well. Litigation continues to be used as a tactic to promote socially responsible behavior on the part of corporations. In the United Kingdom, for example, cases have been brought before the British courts against Rio Tinto for uranium dust exposure, and against Thor Chemicals for mercury exposure affecting workers in other countries. In addition, voluntary codes of conduct have been negotiated with big clothing manufacturers, like The Gap and Levi Strauss, to encourage them to adopt more socially responsible employment practices for workers in the Central American and other factories where they have subcontracting relationships. Yet there is no guarantee of compliance, and lack of enforcement invariably arises as a problem because even the most committed corporation faces constant market pressures to cut corners on social and environmental responsibility.

Many corporate responsibility initiatives center on voluntary codes of conduct. This is the case with the United Nations Global Compact, which was launched in 2000. A number of transnational corporations in various sectors of the global economy were invited to sign nine guidelines for responsible corporate action. Those that joined the compact agreed to send case study reports once a year, showcasing their best practices advancing labor, environmental, and human rights standards, to be posted on a United Nations Web site. For many of the participating corporations—like Nike or Rio Tinto, which have poor track records on human and environmental rights and have been the targets of activist campaigns—the Global Compact turned into little more than a calculated public relations exercise.

Indeed, its sponsorship of the Global Compact dealt a blow to the credibility of the United Nations. By appearing to certify the actions of socially and environmentally destructive corporations, the U.N. became tainted by their actions. The Global Compact delivered an even more direct blow to U.N. credibility when business leader Goran Lindahl, whom Secretary-General Kofi Annan had appointed as a high-level adviser and recruiter for

the compact, was forced out of his position in the wake of a pension fund scandal at Asea Brown and Boveri Corporation, where he was CEO until 2001. Lindahl left with a retirement package of some U.S. $53 million in a year when the company lost $691 million, and its stock price plummeted on the announcement of previously undisclosed asbestos liabilities. The Swedish prime minister called on Lindahl to resign; Kofi Annan decided not to renew his contract; and the company he once headed demanded that he return some of the money.

Despite all this, global corporations argue vigorously that they should not be subject to public oversight or regulation. They maintain that voluntary codes of conduct allowing individual corporations to determine the standards to which they will subscribe, monitor their own performance, and choose which results, if any, they will make public are adequate to deal with issues of corporate responsibility.

Former corporate executive, staunch Republican conservative, investment fund manager, and corporate turnaround specialist Robert Monks makes this observation in his book *The Emperor's Nightingale:*

> From the perspective of company management today the decision whether to obey the law is simply a cost-benefit calculation. The corporation in effect asks whether the costs of disobedience—discounted by the probability of being discovered, prosecuted, and fined (there is almost no risk of **jail**)—**equal** the costs of compliance. In many cases, the costs of disobedience are lower than the costs of compliance, and so many corporations find it to their economic advantage to break the law. . .. Corporations are not people; they have no conscience. Although corporate acts are carried out by individuals, even individuals with high moral standards often find themselves caught up in a corporate action that is beyond their control—or even, in some cases, their knowledge.

Monks's conclusion is confirmed in the daily reports of criminal corporate conduct in the *Wall Street Journal.* Such disregard of the law poses severe challenges for the effectiveness of voluntary, self-monitored, self-enforced codes of corporate conduct. Besides breaking the law, lying is another logical manifestation of current corporate structures. The Enron scandal is only a more visible example of the practice of corporate lying not only to the public and the government but also to their own shareholders—and with the complicity of their auditors, whose professional function is to certify to

shareholders, the government, and the public that the corporations' financial statements accurately present their financial condition. There was much discussion in the business press after the Enron story broke about how lying has become virtually a way of life in the corporate world. It is widely acknowledged that the dot-com stock bonanza of the late 1990s was built largely on marketing hype. As a practical matter, it must be assumed that institutions that habitually lie to their shareholders and treat obeying the law as a cost-benefit calculation may also lie about their compliance to voluntary corporate codes, with the complicity of their auditors.

Although promoting corporate social responsibility may not ultimately solve the problem, such efforts as consumer boycotts and shareholder actions do serve two important functions: they temporarily reduce some of the damage, and they engage citizens in the practice of democracy and raise public consciousness of the realities of corporate wrongdoing.

ESTABLISH CORPORATE ACCOUNTABILITY

Corporate accountability campaigns seek to establish legally enforceable standards for corporate conduct. These strategies are pursued through legislative initiatives on wages and working conditions, public health and safety, the environment, financial institutions and transactions, political campaign contributions, and lobbying practices. Often such regulations are voted into place only in the wake of serious scandal and public outcry.

Some local communities are leading the way in passing legislation aimed at making corporations more publicly accountable. A referendum passed by local voters in 1994 gave the town council of Arcata, California, a clear directive to ensure democratic control of all corporations conducting business in the city.

At the national and global levels there have been initiatives aimed at making the overseas operations of home-based corporations more publicly accountable. For example, former U.S. representative Cynthia McKinney (D-GA) introduced a bill before Congress that would require U.S. corporations to act in a more publicly accountable manner domestically and internationally. The standards include paying a living wage to workers; banning pregnancy testing, retaliation against whistle-blowers, and mandatory overtime for workers under age eighteen; respecting basic ILO standards, such as the right to unionize and health and safety protections; and adhering to both international and U.S. environmental laws and regulations. The code would be enforced first by giving preference to compliant corporations in granting U.S. government contracts and export assistance, and second by empowering the victims, including non—U.S. citizens, to sue the corporations in U.S. courts. Similarly, there is a U.K. case designed to set a precedent for making the head offices of global corporations accountable for the actions of their overseas subsidiaries through the British courts. At a global level, Friends of the Earth has led a coalition effort calling for a corporate accountability convention that would require firms to disclose information to the public about their environmental, labor, and human rights policies. Such efforts go far beyond voluntary codes of corporate conduct and reduce the organizing burden on consumers and stockholders. However, they do not change the nature of the corporation itself, and they leave governments saddled with the burden of attempting to enforce the law against institutions that are able to spend millions of dollars on lawyers, lobbyists, and politicians to weaken the rules and thwart enforcement action.

EXCLUDE OR EXPEL PREDATORY CORPORATIONS

Some activists have acted to bar unwanted transnational corporations from their communities. For example, when the chemical giant Du Pont attempted to relocate a hazardous nylon manufacturing plant from the United States to the Indian state of Goa during the early 1990s, the U.S. trade representative was dispatched to apply pressure at high levels of the Indian government to facilitate the process. As a result, the central government of India not only approved the application but also provided Du Pont with land in a village of Tamil Nadu, without consulting the local government. The villagers rose up and refused to accept the plant, forming an anti-Du Pont committee to lead the resistance. When the villagers organized a blockade, corporate representatives and the local police attacked; one youth was shot while dozens more were injured in the clashes. After the land was repossessed by village squatters, the local government decided to overturn the planning permit, an act later upheld by a ruling of the high court of India. It was a stunning demonstration of the ability of an organized community to block the entry of a powerful corporation backed by the U.S. government.

The Du Pont case is only one of several examples of corporate exclusion campaigns in India. Ever since the Union Carbide plant explosion in Bhopal that resulted in the deaths of thousands of innocent people, there has been a strong resolve on the part of that country's citizens to resist and expel unwanted corporate intruders. In recent years, Coca-Cola, Kentucky Fried Chicken, Monsanto, Cargill, and Enron have all been the targets of popular resistance. For instance, a "Monsanto: Quit India" campaign was launched in 1999 by farmer and consumer organizations after hundreds of suicides in small farm families due to the failure of genetically engineered cotton crops.

Many U.S. communities too have successfully mobilized to exclude Wal-Mart, Rite Aid, and other large retailers. Applying the "three strikes, you're out" principle, Pennsylvania's Wayne Township passed a law stating that any corporation with three or more regulatory violations over seven years is forbidden to establish operations in its jurisdiction.

Although these are basically "not-in-my-backyard" initiatives, they raise public consciousness of the destructive impact of global corporations on people, communities, and the environment. They also prove that corporate domination is not inevitable if citizens organize to take a stand.

REVOKE OR REVISE CORPORATE CHARTERS

In some countries, notably the United States, citizens are reclaiming their right to participate in government decisions about whether specific corporations should be granted a license to operate. As we already noted, a corporation comes into being only when a government grants it a corporate charter. Without that, the corporation does not exist as a legal entity and therefore cannot own property, borrow money, sign contracts, hire and fire, or accumulate assets or debts. In the early days of the United States, corporations were created to serve the public good and existed at the pleasure of the legislature, which could withdraw a charter at will. Citizens could thus keep corporations on a short leash, spelling out the rules they had to follow and holding their owners liable for harm or injuries caused. This situation began to change after an 1886 Supreme Court ruling recognized corporations as "natural persons" under the U.S. Constitution. Hundreds of state laws were struck down, and new laws were passed granting corporations ever greater rights and protections, including limitations on the liability of their shareholders.

Today, the Program on Corporations, Law and Democracy in the United States is leading the way in assisting citizens in reclaiming their sovereign rights over the chartering and rechartering of corporations. According to POCLAD, citizens have the historic right to insist that state-sanctioned corporate charters be periodically reviewed, renewed, and if necessary, revoked. In Pennsylvania, for example, citizen groups have initiated an amendment to the state's corporation code, calling for corporate charters to be limited to thirty years. A charter can be renewed, but only after successful completion of a review process during which it must prove it is operating in the public interest. In California, a coalition of citizen organizations (including the National Organization for Women, Rainforest Action Network, and National Lawyers Guild) petitioned the attorney general to revoke the charter for Union Oil Corporation. Citing California's own corporation code, which authorizes revocation procedures, the coalition fortified the petition with a battery of evidence documenting Union Oil's responsibility for environmental devastation, exploitation of workers, and gross violation of human rights.

Rewriting corporate charters is a step toward changing the nature of the corporate institution. Revoking a charter—the corporate equivalent of a death sentence—begins to put some teeth into the idea of accountability. Eliot Spitzer, attorney general of New York State, declared in 1998: "When a corporation has been convicted of repeated felonies that harm or endanger the lives of human beings or destroy the environment, the corporation should be put to death, its corporate existence ended, and its assets taken and sold at a public auction." Although Spitzer has not won a death sentence against a habitual corporate criminal, he has taken up battle with several giants, including General Electric.

In 1998 in Alabama, Judge William Wynn went so far as to personally file a legal petition to dissolve six tobacco companies on the grounds that they had broken state child abuse laws. Wynn referred to his actions as a "citizen's arrest," but the ruling judge, after meeting with the tobacco companies' legal team, dismissed the case on a technicality.

Although dechartering a major corporation and selling off its assets at a public auction (discussed in the next section) would not solve the larger structural problem, it would certainly send a strong signal to corporate managers and shareholders that obeying the law may be a financially prudent choice.

ELIMINATE LIMITED LIABILITY AND CORPORATE PERSONHOOD

As already noted, corporations have acquired special rights and exemptions that place them beyond the reach of many laws and liabilities to which ordinary mortals are subject. Shareholders enjoy virtual immunity when it comes to legal responsibility for harms committed against the environment, workers, or communities. So, for example, when Union Carbide caused the deaths of thousands of people in Bhopal because of a plant explosion, or when Exxon destroyed a coastline as a result of the *Valdez* oil spill, the shareholders who invested in these corporate giants were not held liable. Changing the rules to make investors liable for harms done to others in their name would make investing a more serious affair and would greatly change financial calculations made by corporations when deciding what actions to take to protect people and nature. Investors would be compelled to evaluate the environmental, labor, and human rights track record of a corporation before becoming shareholders. Similarly, the CEO and management would give such concerns a higher priority. Some activists are developing legal strategies to challenge and change the laws that grant limited liability to corporate shareholders. Changed laws would truly transform corporate accountability.

As amazing as it seems, the 1886 decision that established the legal doctrine of corporate personhood was based on a simple pronouncement by a single judge. According to the official case record, U.S. Supreme Court Justice Morrison Remick Waite made this pronouncement before the beginning of argument in the case of *Santa Clara County v. Southern Pacific Railroad:*

> The court does not wish to hear argument on the question of whether the provision in the Fourteenth Amendment to the Constitution, which forbids a State to deny any person within its jurisdiction the equal protection of the laws, applies to these corporations. We are all of the opinion that it does.

Few judicial pronouncements have dealt democracy and human rights a more bitter blow. This one established a legal doctrine of corporate personhood that has been used ever since, by corporate lawyers in country after country, to place corporations ever further beyond public accountability for their actions. The authors of this volume strongly endorse citizen action

working toward legal and legislative action to eliminate the legal fiction of corporate personhood.

DISMANTLE CORPORATIONS AND BUY OUT ABSENTEE OWNERS

Finally, some civil society activists are also calling for breaking up large corporations and spinning off their component businesses for sale to workers, customers, suppliers, and community members. This would at once eliminate harmful concentrations of power that distort markets and political processes and greatly reduce the public scourge of absentee ownership—not to mention making markets more efficient.

The challenge is to put in place regulatory regimes and tax policies that mandate or support the breakup of large corporations into human-scale enterprises owned by local stakeholders. Where appropriate, such firms could join cooperative associations or networks to carry out larger projects or achieve economies of scale. When such associations are entered into by local stakeholder-owned enterprises, activities of virtually any scale can be undertaken while remaining locally rooted and accountable. Fast food and beverage franchises might be reorganized as individually owned units that operate under the umbrella of a branding and marketing cooperative. Specifics would vary by industry and corporation, but society should always work from the principle that smaller and locally owned is preferable, in the absence of a compelling argument to the contrary, with the burden of proof resting with those who argue in favor of concentration.

Antitrust reform can tighten the standards for what constitutes excessive concentration. Graduated taxes on assets and total sales—with larger corporations paying a sharply graduated marginal rate—would make size increasingly costly, thus forcing larger enterprises to be more efficient or break themselves up voluntarily. Banking rules might prohibit a single bank from having more than three branches, for example, forcing the breakup of banking conglomerates to spin off clusters of independent community banks. Or there might be a rule that a single enterprise could not own more than one radio or television station using the public airwaves and that its ownership must be limited to people who live in its service area, thus forcing the breakup of media conglomerates and the sell-off of individual sta-

tions to people in their own communities. (For detailed recommendations on policy measures to encourage employee ownership, see Jeff Gates, *The Ownership Solution)*

Ending Corporate-State Collusion

A belief that sovereignty resides in people and gives them an inalienable right to self-governance is the sacred foundation of democracy. Governments are the voluntary creation of the people and therefore subject to their will. Corporations are in turn created when governments issue corporate charters. They are therefore properly subject to the will of the people through their governments. Yet people the world over find corporations corrupting the political system and the courts in order to co-opt governmental powers and rewrite the laws to advance their own interests.

This process has been carried out by corporate elites who forge common agendas outside the formal institutions of democracy. They use forums such as the Trilateral Commission, the International Chamber of Commerce, the World Economic Forum, trade associations, and the many national and international business and industrial roundtables. The IMF, the World Bank, and the World Trade Organization have all been used by these elites to replace democratic decision making in economic affairs with processes dominated by corporate interests. Although they pay lip service to democracy, the truth of their politics was well stated in a 1974 report of the Trilateral Commission, titled "The Crisis of Democracy," which set forth the argument that "an excess of democracy" had created "a deficit in governability."

By the 1990s, governmental and corporate elites in most countries had largely recast the state from protector of human rights and interests to protector of corporate rights and property. Public resources directed to securing human welfare were redirected to securing corporate welfare. The underlying principle of democracy was turned on its head.

By the early twenty-first century, the name *Halliburton* became synonymous with this collusion. Halliburton's former CEO, Dick Cheney, came to the firm from the highest echelons of U.S. government and returned to them as George W. Bush's vice president. With Cheney as CEO, Halliburton incorporated dozens of its subsidiaries in offshore tax havens, thereby minimizing the company's contribution to government tax revenues. Cheney

continued to draw some compensation from Halliburton while serving as vice president. And no corporation performed more contracts for the U.S. government to "reconstruct" Iraq than Halliburton, even after the company was caught overcharging the U.S. government tens of millions of dollars. (When exposed, Halliburton apologized and promised to return the overcharges.)

Governmental bodies at both global and national levels now function as if sovereignty resided in global corporations. Their function is to serve the corporate interest, using their coercive powers to protect corporate property, guarantee corporate profits, break up unions, sell off public assets at giveaway prices, stifle dissent, and make sure that people fulfill their roles as obedient workers and compliant consumers.

Efforts to transform the corporate institution to eliminate its capacity to rule society must be supported by parallel efforts to restore the integrity of democratic institutions and reclaim the resources that corporations have coopted. This will require a five-pronged program of action.

GET CORPORATIONS OUT OF POLITICS

It is the place of corporations to observe the rules and restrictions that people democratically choose to impose through their elected representatives. A corporation has no rightful role in making those rules; its role is to provide the information that governments or citizens request of it. Except in the case of criminal proceedings, such requests and the information provided should be public.

Shareholders, managers, employees, consumers, and others have every right as private citizens to express their political views for or against the corporate interest. They also have the right to form and fund not-for-profit organizations to advance any cause they wish to support privately, using their personal funds. Corporations have no such natural right. Nor do corporations have the right to use shareholder monies for political purposes that may be contrary to individual shareholders' preferences. Appropriate legislation would establish the following:

- *A prohibition on any for-profit corporation providing political funds or in-kind support or services.* This includes giving to a political candidate, public

official, political action committee, political party, lobbyist, ballot initiative, political convention, meeting of public officials, issue ad, policy group or institute, or any organization that engages in public education or advocacy on matters of public policy. Corporate officers responsible for the violation of this prohibition would be subject to criminal penalties, including imprisonment.

- *Criminal penalties, including imprisonment, for any person who acts in the capacity of corporate officer to solicit political contributions.* Such penalties would also cover those who request or contract with others to support a political party or candidate, or otherwise seek to influence public policies, regulations, or appointments to positions of public trust.

END CORPORATE WELFARE

Contrary to their claims of efficiency, most large corporations are massively inefficient, spending an inordinate portion of society's resources on advertising, executive perks and salaries, transportation and communications to far-flung corporate empires, and lobbying expenses. Most depend for their profits and survival on a complex regime of public subsidies, exemptions, and externalized costs, including the indirect subsidies they gain when allowed to pay less than a living wage, maintain substandard working conditions, market hazardous products, dump untreated wastes into the environment, and extract natural resources from public lands at below-market prices. Ralph Estes, CPA and professor-turned-corporate-critic, estimates that, in 1994, corporations like Enron and Halliburton extracted more than $2.6 trillion a year in such subsidies in the United States alone—roughly five times their reported profits. By extrapolation, this suggests that the global public costs of corporate welfare may exceed $10.7 trillion annually. It is one of the basic principles of efficient market function that the full costs of a product or service be borne by the seller and passed on to the buyer. Yet many corporations would be forced to close their doors or restructure if they had to bear the true full costs of their operations. It is time to test the corporate claim of market efficiency by taking legislative action to eliminate all direct cash and in-kind subsidies to corporations, establish and enforce appropriate regulatory standards to compel the full internalization of social and environmental costs, and eliminate special corporate tax exemptions.

GIVE PREFERENCE TO INDEPENDENT ENTERPRISES

To build sustainable communities, it is imperative that local citizens exercise substantial control over the means of production and distribution on which their livelihoods depend. This requires reforming industrial and tax policies—from the global to the local levels—to favor ownership of enterprises and productive resources by local, nonfinancial stakeholders such as workers, community members, customers, and suppliers. Educational programs should inform citizens about the powers and responsibilities of ownership participation and the dysfunctions of absentee ownership.

As chapter 6 detailed, much can be done to encourage local communities to assume responsibility for their own economic and environmental revitalization. Steps can be taken to strengthen community capacity to understand the issues; set clear local economic priorities favoring local ownership and self-reliance; deal with industrial pollution, housing shortages, land use, and transportation issues; hold corporations with operations in a jurisdiction accountable to local social and environmental priorities; and use industrial, environmental, and tax policy measures to encourage the responsible use and maintenance of local natural resources, including forests, fisheries, and water.

Community boards composed of elected citizen representatives might be established to review, approve, and monitor the local operations and investment plans of domestic and foreign-based corporations. These boards might help to establish community accountability rules and obligations for enterprises in their jurisdiction, including banks and other financial institutions.

REREGULATE CORPORATE INVESTMENT

As we have seen, governments have been largely stripped of the powers and tools they once had to regulate the investments of global corporations. Yet regulating corporate investment is essential if people are going to take democratic control of the operations of global corporations and banks. A series of new measures needs to be designed for legislative action, such as "site-here-to-sell-here" policies, the chartering of corporations, restrictions on plant closures, and rules against the patenting of life forms. Governments should be challenged to establish new investment requirements for job con-

tent, food safety, and environmental standards, as well as to put more emphasis on worker control, community ownership, and related social responsibilities as conditions for investment. Similarly, governments need to be pressed to reassert control over fiscal policies by reregulating financial instruments (such as derivatives) and banking. To move in this direction, steps need to be taken to identify the obstacles to government control that are built into the new free trade agreements and find strategies to repeal them.

RENEGOTIATE OR ABROGATE TRADE DEALS

As we have seen, the new globalization regimes—for example, the WTO, NAFTA, and the proposed Free Trade Area of the Americas—are, in effect, the constitutions of the new world order, designed primarily to protect the rights and freedoms of global corporations. A program to dismantle this corporate rule, therefore, would have to include strategies either to terminate altogether or to renegotiate specific components of these agreements, keeping in mind that they themselves contain specific clauses and procedures for abrogation that can be exercised by one or more of the partners. The main power tools of NAFTA, such as the investor-state mechanism that allows corporations to sue governments, should be eliminated. Chapter 10 of this volume calls for the decommissioning of the WTO and its replacement with a smaller international trade authority that advances the ten principles for sustainable societies. A variety of social movements actively engaged in campaigns against NAFTA and the FTAA have already shifted their attention to identifying the economic, social, and environmental priorities that need to be addressed as well as other provisions that need to be included in alternative systems based on fair trade. Common platforms can be developed around such campaigns to repeal or renegotiate specific components of free market regimes. Steps could also be taken to organize communities into WTO- and NAFTA-free zones.

Toward Alternative Business Structures

Modern life is now so dominated by global corporations that it is difficult for many people to imagine how the world might go on without them. But

businesses may assume many other forms. Transition to more economically democratic structures becomes easier to visualize once we recognize that many human-scale, locally owned enterprises already exist. They include virtually all of the millions of local, independent businesses now organized as sole proprietorships, partnerships, cooperatives of all types, and worker-owned businesses. They include family-owned businesses, small farms, artisanal producers, independent retail stores, small factories, farmers' markets, community banks, and so on. In fact, though these kinds of businesses get very little government support, they are the primary sources of livelihood for most of the world's people.

There are very few of our daily needs that cannot be met by small and medium-size enterprises operating within a market economy of a kind—but one that is characterized by a multitude of small players rather than a handful of giant, absentee owners. And all of them would operate without the benefits of stock market investing, limited liability, or corporate personhood, so crucial to large corporations.

From the point of view of sustainability and democracy, there is no reason why giant transnational corporations are needed to run hamburger stands, produce clothing and toys, publish books and magazines, grow and process and distribute food, make the goods we need, or provide most of the things that contribute to a satisfying existence. In truth, the largest corporations often contract out many of their actual production processes to networks of smaller, independent producers. The dominant global corporations, however, maintain control of market access to be sure of their own ability to dictate terms and prices—in violation of basic market principles—capturing profits for themselves and shifting risks to smaller producers. This is a gross misuse of power, not a sign of superior efficiency. Change is mandatory.

In this chapter, we have described in detail the spectrum of actions now being taken to attempt to control corporate behavior and change many structural elements. In summary, however, from a macro perspective, there are three key ingredients that will characterize any overall shift away from the domination of global corporations and toward more democratic and socially and ecologically sustainable enterprises:

- *Where globalization has encouraged globe-spanning corporate concentration, the course must be reversed.* This can be done by giving priority to smaller busi-

nesses capable of functioning as human-scale communities of interest in which people know each other, are dedicated to a common purpose, and share rewards more equitably. The era of CEOs being compensated at five hundred times the level of office workers or line workers must end.

- *Where global corporations now enjoy complete mobility, businesses must be required to be rooted in a place.* They must be owned by people who have direct involvement in the operation—workers, community representatives, sup pliers—rather than by distant investors who buy and sell without per sonal engagement other than profit, growth, and balance sheet figures.
- *All businesses must be transparent and accountable to all stakeholders in the com munity.* These people bear the ultimate impact of decisions taken. They may include workers, environmentalists, public health officials, human rights advocates, and the like. All have suffered from local activities con trolled by distant owners.

And so we see that size, ownership, and accountability are the main issues. Smaller enterprises, with local roots and equitable ownership of productive assets, combined with democratic regulation are essential for socially just, efficient, and sustainable enterprises.

By their nature, *human-scale* enterprises—of small and medium size—will distribute power and ownership far more equitably and democratically than global corporations could possibly do. Lacking a global corporation's ability (or desire) to "buy" politicians, dictate consumer choice, or manipulate the symbols of personal identity through mass advertising, smaller enterprises are intrinsically more likely to be responsive to community interests.

The European Commission has defined small and medium businesses as those with less than 250 employees, annual sales under $35 million, and total assets under $24 million. Even this may seem too large for some, but not by the standards of megacorporations: total sales of the Forbes Global 500 list of companies for 2003 ranges from a low of $9.4 billion to $258.7 billion—Wal-Mart—to Citigroup's $1.1 trillion in assets. Still, the category of small and medium can include substantial enough enterprises to be able to produce most essential goods and services efficiently.

Where necessary to help deal with new technologies and sophisticated markets, smaller-scale enterprises have shown they can collaborate and net-

work with one another to achieve some efficiencies of scale. Chapter 7 offers some examples of these, but we mention here the case of Denmark, where the entire industrial sector has traditionally been made up of small firms that have sometimes formed consortiums to deal with larger projects. For example, a group of apparel firms jointly employ a designer who has turned once-uncoordinated product lines of clothing into a tailored collection aimed at the larger German market. A consortium of small furniture makers, woodworkers, and interior designers have undertaken joint bidding on the furnishings of convention centers and other projects that are larger in scale than any one company can handle. Similarly, Northern Italy's furniture industry is built on networks of small firms supported by a producers' association that helps provide common services such as warehousing, purchasing, and inventory management.

Although the authors of this report favor *local* procurement and marketing wherever possible, such arrangements as these demonstrate the possibilities of achieving advantages of scale in a system that remains predominantly local.

Of course, the role of *ownership* is also crucial. As discussed earlier, there is an obvious and important distinction between an *engaged stakeholder-owner*—a person who lives within a community and is deeply concerned about its future—and the presently dominant global system of largely *absentee owners,* who have no direct relationship to any community. Global corporate management may be thousands of miles away, across oceans; investors may be anywhere at all, completely unaware of a firm's local activities or impact. This kind of absentee ownership is a perfect precursor for the production of out-of-control harms to the community, just as absentee owners of a house or a building can make life impossible for a local tenant, who has no recourse.

People who live in a place—whether they operate a business or own a home or live on the land—are far more likely to invest well in its maintenance and nurture relationships with their social and environmental context. Ownership adds to their commitment. When businesses are similarly owned by their workers, customers, suppliers, and community members, the owners bear the actual outcomes of their decisions. *Accountability* is built into the fabric of the economic system; *transparency* and openness are impossible to avoid.

In addition to all this, every society also needs enforceable rules, and the marketplace is no exception. The present trend toward deregulation of corporate enterprises, as if they were the one social element that can be counted on to behave responsibly, has been producing disaster after disaster. Enron provides a case in point.

Without comprehensive and firm regulatory mechanisms, even optimum conditions for social and economic efficiency will quickly erode. Size must be regulated, costs internalized (including the environmental and social damages now absorbed by taxpayers), contracts enforced, and health, safety, and environmental standards observed and enforced with great dedication. The earlier chapter on subsidiarity suggests many other rules for optimizing social and environmental benefits by businesses, from site-here-to-sell-here rules, to encouragement of local investors rather than outside sources, to corporate finance and mobility regulations. When ownership and rule making are predominantly rooted in local realities, with community welfare as the primary value, then everything else may fall naturally into place, fairly and effectively balancing the interests of local business enterprises with other community values for the mutual benefit of all.

What we have presented here is only a blueprint, and many practical questions remain. Skeptics may fairly ask if such localized, small arrangements would satisfy people's need to earn a living. Who would provide the food? Who would finance research into new medicines? And if publicly traded corporations were eliminated—and with them the stock market—who would finance retirements? These and other giant issues need to be exhaustively discussed; we hope this chapter serves as a beginning point of such discussions. But we must also begin the discussion with full recognition that the system we have now has utterly failed to solve any of these problems satisfactorily, equitably, and without great harms.

Take the question of jobs. For all their economic power, the number of jobs that global corporations provide relative to the world's workforce is trivial. According to the *Top 200,* a report by Sarah Anderson and John Cavanagh of IPS, although sales of the world's two hundred largest corporations are equivalent to 27.5 percent of world GDP, they employ only 0.78 percent of the world's workers. As we have said, the majority of the world's jobs are provided even today by small and medium-size enterprises—the

same enterprises that are also responsible for creating nearly all new jobs. As corporations get ever larger and consolidate, merge, and consume other companies, they convert to production systems and technologies that *reduce* jobs rather than increase them.

Next, food. Before a combination of intentional public policy and corporate monopolization of marketing and distribution forced most independent farmers into bankruptcy, small farms were the backbone of most communities and the primary suppliers of food, even in the Northern industrial countries. Even now they retain central roles in most Southern countries. Smaller, independently managed farms using environmentally sound organic agricultural practices are far more efficient in their use of scarce land than are corporate factory farms, and they provide more jobs. Localizing production to reduce the distance between farm and market means fresher, more nutritional food and big energy savings—a subject that is addressed in more detail in chapter 7.

As for drug research, if development of copycat drugs is excluded, most basic research on new drug treatments is publicly funded and much of it carried out in universities. For all their claims that monopoly pricing is necessary to recover research costs, drug companies spend far more on marketing than on research. These costs are a larger factor in the exorbitant drug prices than research costs. The greatest barrier to the deconcentration of drug production and distribution is not technology but the granting of monopoly patent rights to giant pharmaceutical companies for essential drugs developed with public research money. A reduction in patent protection to allow entry to smaller, more local competitors would be a step toward freeing the market to gain the benefits of greater competition.

Financing retirement? Those who are presently fortunate enough to have the money to participate in the stock market, and lucky enough to pick the right stocks at the right time, can use it to finance an affluent retirement. However, we must not be misled by the fact that although some retirement accounts profited handsomely from the giant stock bubble of the 1990s, many others were decimated. It would be a stretch to assume that society can feed, house, clothe, and provide medical care for an aging population based on stock bubbles. Meeting the needs of the retired necessarily depends on the willingness of those of working age to lend their labor and assets to the task of providing for them as part of an intergenerational social

contract. The corporate global economy is actually decapitalizing the human and physical infrastructure needed to support the young and old alike in favor of short-term financial gains, eroding the social contract between generations. To rebuild the social contract—the social and physical infrastructure needed to meet the needs of children, working people, and the elderly—it is essential to restore the concept of community, in part by rebuilding prosperous community economies.

When the full costs are taken into account, most of the real needs of people can be more efficiently met by a local market system, which also has the potential to improve the quality of life of nearly everyone. With proper care and a just distribution of the planet's sustainable bounty, the world's six billion—plus inhabitants can live full and dignified lives. Hardship and material deprivation can be eliminated. This necessarily means less material consumption for the world's favored few. It may, however, prove that "less is more" in terms of achieving sustainable societies.