

20

When Corporations Rule the World

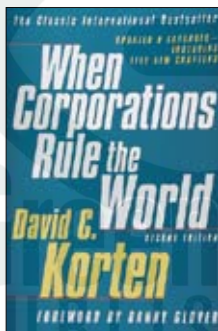
David C. Korten



1st edn

When Corporations Rule the World

Kumarian Press Inc./
Berrett-Koehler, 1995;
374pp, hbk;
978-1887208000



Current edn

When Corporations Rule the World

Kumarian Press Inc./
Berrett-Koehler, 2001;
385pp, pbk, expanded
2nd edn;
978-1887208048

© Copyrighted material. Unauthorised copying or distribution is an offence.

Key ideas

- ▶ We have been seduced by 'corporate libertarianism', which demands that all political, economic and civic barriers to the free rein of corporate interests be removed.
- ▶ The result of this unhealthy power in corporate hands is ecological destruction, the loss of civil freedoms, the erosion of democracy and community disintegration.
- ▶ Although the current corporate globalisation represents a failure of governments, it is more fundamentally a failure of the global capitalist economic system.
- ▶ Instead, we should be striving for 'democratic pluralism', which requires a 'pragmatic, institutional balance between the forces of government, market, and civic society'.
- ▶ We are on the cusp of an Ecological Revolution, which puts people ahead of corporations, local communities ahead of global trade, and nature ahead of money.

Synopsis

When Corporations Rule the World suggests that the promises of the global economy are based on a number of myths: that growth in GNP is a valid measure of human well-being and progress; that free unregulated markets efficiently allocate a society's resources; that growth in trade benefits ordinary people; that economic globalisation is inevitable; that global corporations are benevolent institutions that, if freed from governmental interference, will provide a clean environment for all and good jobs for the poor; and that absentee investors create 'trickle-down' prosperity.

Korten believes that these myths are finally being unmasked and challenged by an Ecological Revolution that calls us 'to reclaim our political power and rediscover our spirituality to create societies that nurture our ability and desire to embrace the joyful experience of living to its fullest'. He argues that, instead of concentrating on increasing economic growth and GDP, we should concentrate on ending poverty, improving our quality of life, and achieving a sustainable balance with the Earth.

In order to achieve this goal of 'sustainable well-being for all people', Korten believes that we need a multi-level system of nested economies with the household as the basic economic unit, up through successive geographical aggregations to localities, districts, nations and regions. Each level would seek to function as an integrated, self-reliant, self-managing political, economic and ecological community.

A corporation of the future needs to show that it is 'committed to investing in the future; providing employees with secure, well-paying jobs; paying a fair share of local taxes; paying into a fully funded retirement trust

fund; managing environmental resources responsibly; and otherwise managing for the long-term human interest. Such companies are a valuable community asset, and in a healthy economy, they pay their shareholders solid and reliable – but not extravagant – dividends over the long term.'

The Guiding Principles for an Ecological Revolution include environmental sustainability, economic justice, biological and cultural diversity, subsidiarity (where the economy serves human needs, not the needs of money, corporations or governments), intrinsic responsibility (internalising externalities) and common heritage (of the planet's environmental resources and the accumulated human knowledge).

The principles, Korten believes, are actively pro-business and pro-market, but they are strongly partial to locally owned businesses that provide employment to local people, pay local taxes to maintain local infrastructure and social services, meet local social and environmental standards, participate in the community and compete fairly with similar businesses in markets that have no dominant players.

Korten includes some strong reform proposals in his blueprint for an Ecological Revolution including, for example, limitations on lobbying and private ownership of the media, enforcement of anti-trust legislation, taxation of financial transactions, resource extraction and pollution, introduction of a basic citizen's income, restrictions on CEO pay to a ratio to worker pay of no more than 15 to 1, reduction of the work week, removal of corporations rights as individuals and reform of the Bretton Woods institutions (World Bank, IMF and World Trade Organisation).

From the book

- This is a crisis of governance born of a convergence of ideological, political, and technological forces behind a process of economic globalization that is shifting power away from governments responsible for the public good and toward a handful of corporations and financial institutions driven by a single imperative – the quest for short-term financial gain.
- A globalized economic system delinked from place has an inherent bias in favour of the large, the global, the competitive, the resource-extractive, the short-term, and the wants of those with money.
- We are now coming to see that economic globalization has come at a heavy price . . . The threefold crisis of deepening poverty, environmental destruction, and social disintegration manifests this dysfunction.
- The task ahead is to transform a world ruled by corporations dedicated to the love of money to a world ruled by people dedicated to the love of life.
- Millions of people around the world are awakening, as if from a deep trance, to the beauty, joy, and meaning of life . . . demanding a restoration of democracy, an end to corporate rule, and respect for the needs of all people and other living beings.

About the author

David C. Korten (born 1937) is a specialist in international development and an intellectual activist on the political and institutional consequences of economic globalisation and the expansion of corporate power at the expense of democracy, equity, and environmental health.

Trained in economics, organisation theory and business strategy with MBA and PhD degrees from the Stanford University Graduate School of Business, his early career was devoted to setting up business schools in low-income countries, in the hope that creating a new class of professional bu-

ness entrepreneurs would be the key to ending global poverty. After graduation Korten completed his military service in Vietnam, before becoming a Visiting Associate Professor at Harvard University Graduate School of Business.

In the late 1970s, Korten left US academia and moved to Southeast Asia, where he lived for 15 years, serving first as a Ford Foundation project specialist, and later as Asia regional advisor on development management to the US Agency for International Development (USAID). Disillusioned by what he came to see as an inability of



USAID and other large official aid donors to strengthen community control over their natural resource base, Korten broke with the official aid system and returned to the United States in 1992 to pursue work on challenging corporate globalisation.

Korten is co-founder and board chair of Positive Futures Network, a board member of the Business Alliance for Local Living Economies, an associate of the International Forum on Globalisation and a member of the Club of Rome.

In his own words (2008 interview)

Reflections on the book

The book grew out of some 30 years of international development work . . . It was around 1988 that I started getting increasingly aware that development as we had defined it really wasn't working. A few people were getting very rich, but most people were being pushed into ever more distressed circumstances, the environment was being trashed and the once strong and vibrant cultures were really being decimated. So this led to gradually stepping back to look at the bigger picture of what was going on.

One reason that *When Corporations Rule the World* attracted so much attention is that the timing of its release was absolutely perfect. It was just at the moment when a lot of people were beginning to ask questions about what's really going on with these trade agreements, with all this outsourcing, with these outrageous CEO packages, with corporate downsizing and so forth, and this book provided the answers that those people were looking for.

If I were to rewrite the book now, I would probably put the title *When Corporations Rule the World* with a slash through 'Corporations' and a little carrot pointing to 'Money'. It's actually *When Money Rules the World*. This has become so much more obvious, so much stronger and so much more disruptive as we've seen the rampant speculation in the financial markets. That very structure drives a predatory dynamic in the corporate system that you really can't do very much about at the level of the indi-

vidual corporation. You can do a little tinkering around the edges, but those are pretty limited relative to the depth of the changes that we need to navigate.

The role of business

I'm very sceptical of corporate social responsibility initiatives because while they do some good they generally ignore the inherent limitations of what those corporations can conceivably do within the system as it's currently structured.

The corporate charter is a grant of privilege, it is not a right. It is a grant that gives some group of people a set of privileges beyond those which are granted to ordinary individuals. Now the only legitimate reason for a government to issue such a charter is to serve a public purpose. And to allow a group of people to create a monopoly for the sole purpose of enriching themselves is not a public purpose. So that is the foundation of beginning to really rethink the corporation as an institution.

It's not about companies reining themselves in; it's about the emergence of a new social

force – the global resistance, which we now refer to as global civil society.

Looking to the future

What I see is getting very serious about anti-trust and breaking up the big concentrations of corporate power, eliminating public trading as we know it, moving towards systems of rooted ownership where the enterprises are owned by people that have a very direct connection with them and stake in their responsible operation, and eliminating the feature of limited liability so that the members of the corporation bear the same liabilities as anybody else in society and are not granted special privilege.

We're basically moving in the wrong direction but we see these emergent forces that are a source of hope. Change is only going to come through choice, so we need to get out there and give it everything we've got to raise awareness of the possibilities at hand and the choices that it can lead us to – a sustainable world that works not only for all people but for the whole of life.

OTHER BOOKS (SELECTION)

Community Management: Asian Experience and Perspectives (Kumarian Press, 1987)

Getting to the 21st Century: Voluntary Action and the Global Agenda (Kumarian Press, 1990)

Globalizing Civil Society: Reclaiming Our Right to Power (Seven Stories Press, 1998)

The Post-Corporate World: Life after Capitalism (Berrett-Koehler, 1999)

The Great Turning: From Empire to Earth Community (Berrett-Koehler, 2006)

MORE INFORMATION

Business Alliance for Local Living Economies:
www.livingeconomies.org

David Korten's official website:
www.davidkorten.org

International Forum on Globalisation:
www.ifg.org