## Chapter 4 The Corporate Society

*A basic model for the structure of organizations has evolved to facilitate the industrial processes of specialization, standardization, and centralization of control. Organizations are separated into specialized units – divisions, sections, departments, etc. – so as to facilitate gains from specialization. The function of each unit then must be specified and standardized so that all units work together effectively to achieve the overall purpose of the organization.*

*Each organization must have a purpose. Otherwise, there is no logical reason for bringing people, money, and other resources together. If a purpose can be achieved as effectively and efficiently by a collection of unrelated individuals, an organization is unnecessary. The industrial organization is designed so that its specific functions, procedures, and responsibilities, if carried out properly, will ensure that the purpose of the organization is achieved. In a sense, the purpose is designed into the organization.*

*An industrial organization, like a machine, requires constant maintenance to ensure that each person in the organization performs his or her function in support of the overall organization. Even in the best of organizations, individuals eventually "wear out," – become disabled, retire, or simply lose their commitment or usefulness to the organization – and will have to be replaced. However, a "new" person can be hired to fulfill the specific responsibilities of the "old" person – the parts are interchangeable – and the organization will again function as before.*

*If the organization becomes obsolete – is unable to perform its purpose as effectively as some competitive organization – it must be reorganized, restructured, or redesigned so as to make it run more effectively. The ultimate responsibility for redesign lies with those who own the organization, the stockholders in the case of a corporation, but may be delegated to top-level management. Regardless, someone must decide when an organization has become obsolete and thus must be redesigned or discarded.*

*Corporate managers have little incentive for reorganizing the obsolete companies they control – particularly if reorganization might mean they would have less power, a smaller paycheck, fewer stock options, or no "golden parachute." It's easier for top management to use their market power, to discourage or destroy would-be competitors and to extract profits from suppliers of raw materials, from consumers, or from taxpayers, than to reorganize or liquidate the corporation.*

*Shareholders are far more interested in dividends and growth in the value of their portfolios than in either the true efficiency or ethics of the companies they own. Inefficiency and obsolescence become apparent only if markets are open to new entrants – but this requires competitive markets, which no longer exist because of corporate market power. So, as long as a corporation shows quarterly profits and continues to grow, no one demands that it be reorganized or disbanded -- no matter how inefficient or obsolete it has become.*

By John Ikerd, "Alternative Organizational Structures: Implications for Competitiveness of Markets" Published in "A Food and Agriculture Policy for the 21st Century," edited by Michael C. Stumo, Organization for Competitive Markets, May 2000.

I left Oklahoma in the fall of 1984, somewhat disillusioned by my profession. I had kept a record of my accuracy as a forecaster of livestock prices over a period of seven years. When I analyzed my seven-year record, along with those of other leading economic forecasters, I found that we were all about equally inept in helping farmers anticipate the future. For example, when forecasting quarterly average live cattle prices six months in advance, we had a *standard error* of our forecasts of about fifteen percent. This meant that if the farmer took one of our forecasted prices, and then added and subtracted fifteen percent, the range would be wide enough to include the actual later average price about two-thirds of the time. In other words, if we forecasted an average cattle price of $70, the plus and minus range would stretch roughly from $60 to $80. Only two times out of three would the actual price be anywhere within that range. About a third of the time, the actual price would be either higher than $80 or lower than $60. Any cattleman can tell you that the difference between $60 and $80 cattle is the difference between going broke and getting rich.

I had studied economic forecasting sufficiently to know that we were about as accurate in our forecasts of cattle prices as other economists are in their forecasts of general economic phenomena such as economic growth, unemployment, or inflation. The fact of the matter is that economists cannot forecast the future. Study after study has shown that you are just about as well off assuming that the future will be exactly like the present as using an economic forecast of the future; and common sense tells you that things are always changing. Occasionally a forecaster will hit a hot streak, possibly through some unique insight into current market forces, but market conditions change and eventually his or her forecasts again will go far astray. I have had those streaks. *Successful* forecasters become masters of creating an allusion of competence by keeping their forecasts vague, by using hedge words such as likely and possibly, and by revising their forecasting frequently. As I have said before, not a single reputable economist accurately forecasted the booming economy of the 1990s.

In Oklahoma, I was frustrated also because I had not been able to convince farmers to use risk management strategies. Farmers and ranchers could have used futures markets to shift the risks of inaccurate price forecasts to market speculators. They could have taken positions in the futures markets that would have allowed them to make profits in futures markets if cattle prices fell to unexpectedly low levels, but they would have lost money in the futures markets if cattle prices moved to unexpectedly higher levels. Profits in the futures markets would have offset lower cattle prices, but losses in futures also would have offset windfall gains in cattle prices. Speculators can always be found to take market positions opposite to those of hedgers. These are the basic principles of hedging, although the terminology and practice of hedging can seem a bit complicated, at least at first.

Virtually every cattleman I had taught to *hedge* in the futures markets had ended up losing money. They had ended up *speculating* instead of hedging. They weren't willing to settle for making a reasonable profit by raising cattle for a reasonable hedged price. They wanted to make easy money by speculating on whether prices were going to go up or go down. These amateurs were no matches for the professionals. Hopefully, those cattlemen who had been in our classes at least understood they had lost money *speculating* rather than *hedging*.

I wanted to find something different to do professionally. I didn't feel I was really learning or teaching much of anything useful. I was spending most of my time analyzing the same statistics – cows and calves on farms and ranches, cattle in feed lots, slaughter numbers, live prices, wholesale prices, carcass weights, etc. – over and over again. The numbers changed – every quarter, every month, every week, and sometimes every day, but they were always the same basic statistics. I was a college professor, but my work wasn't that much different from a worker on an assembly line. Each day the assembly line started again with a new batch of numbers that I had to do the same things to as I had done the day before, and the day before that, for as long as I could remember. The assembly line worker at least has a sense that he or she is producing something useful. I didn't.

In the 1980s, agriculture was in crisis and I, as an economist, was beginning to get the feeling that I was at least partially responsible. We had lured farmers onto the technology treadmill with the promise of profits, knowing that any profits they made would be short-lived. We knew that with each new round of technology they would have to farm more land, feed more cattle, buy more equipment, and hire more workers – just to survive. We knew that with each new round of technology some farmers would be forced to fail, not necessarily because they were inefficient or reluctant to change, but just because some had to fail so others could succeed. Wasn't there something wrong here? Could anything that was so bad for farmers really be good for society?

My family was also disillusioned by the *boom and bust* society of Oklahoma. My twin daughters were completely turned off by what instant wealth had done to the kids in their school during the Oklahoma oil boom – and my kids were a long way from poor. Expensive clothes and jewelry became the symbols that separated the elite from the commoners, even in junior high. My daughters were repulsed by the *hoity toity* attitudes that kids took on just because their parents, all of a sudden, had lots of money. To this day, my daughters have no respect for those who measure status in terms of such things as clothes, cars, jewelry, and money. My wife found that the initially hospitable social environment of Oklahoma was neither durable nor forgiving. We invited people to our house but we were rarely invited to theirs. I was so tied up in my work, traveling almost constantly, that I didn't take very good care of my family or any other social relationships. I might have been working for a university rather than a corporation, but I had become an *organization man*, through and through. My work was my life and it was killing me.

We had wanted desperately to move from Oklahoma back to Missouri, but I wasn't able make it happen. The Department of Agricultural Economics at the University of Missouri wouldn't hire its own graduates – a common practice that I have never understood. I can understand that a department needs diversity of thought among its faculty members, but refusing to hire your own graduates certainly doesn't ensure diversity. I did manage an interview for an administrative position at Missouri, but I didn't get an offer. I found out later that it had already been promised to someone else, and my interview was just part of the common charade of most so-called national searches.

I had been on the short list for several other administrative positions, and had actually interviewed for a department head position at the University of Florida. Finally, desperate for a change, I arranged for a yearlong sabbatical at Oregon State University. Two months before we were to leave for Corvallis, I got a call from Si Trieb, an old friend at the University of Georgia. UGA had reorganized their extension program and had an Extension Agricultural Economics Department Head position open. He said he thought I could have it if I wanted it, which I did. I interviewed, and I was hired. In the fall of 1985, instead of heading northwest to Oregon, we headed southeast to Georgia. My long economic reformation process was to begin during my short tenure in Georgia.

The farm financial crisis was the top priority for my new department. Georgia farmers were going broke in record numbers and we were expected to do something to address the crisis. Georgia had become the leading state in farm bankruptcies during the 1980s – because Georgia farmers had led the nation in securing federal farm loans during the 1970s. The Farm and Home Administration (FmHA) was a government agency established to provide loans to farmers who couldn't get loans from any other source. The interest rates were low and the pay back conditions quite liberal, so FmHA loans were attractive loans, if you could qualify. It just so happened that during the late '70s a lot of Georgia farmers qualified, with Jimmy Carter, a Georgian, in the White House.

Not only had lots of farmers qualified for government loans, but many found they qualified for a lot more money than they really wanted to borrow. The *get big or get out* mentality permeated all government farm-lending programs during the 1970s. A farmer found it difficult to borrow a little money just to stay in business or to finance a modest expansion of the existing operation. It was far easier to borrow a lot of money to make a major change in the farming operation, to build new buildings, buy new equipment, or buy more land. The government didn't want to finance small scale, diversified, subsistence, or part-time operations. They wanted to finance *real* farmers. The agricultural economy was booming. Farmers were encouraged to plant "fence row to fence row," as USDA Secretary Earl Butz put it, in order to supply growing world markets. To produce more, they needed to borrow more. As a result, many farmers in Georgia and elsewhere ended up with far larger loans than they could possible repay.

Ronald Reagan defeated Carter in the 1980 election, Reaganomics clamped down on the money supply, real interest rates rose, and the U.S. economy plunged into recession. Export markets dried up as high interest rates caused the foreign exchange value of the dollar to soar, and prices of agricultural commodities to plummet. The boom of the '70s became the bust of the '80s. Somehow, we were supposed to help Georgia farmers find a way out of this mess. One of my first tasks at UGA was to help the Extension Director review and revise a new national extension initiative called, "Restoring Profitability to Agriculture." I didn't have a clue as to how we could possibly make good on such a promise.

As the new head of agricultural economics, I was appointed to head up an advisory committee established by the Governor to address the farm crisis. At a public hearing, soon after arriving in the state, I had been in quoted an Atlanta newspaper as saying, "farmers who fail to follow sound business management and marketing practices, should be forced out of business, and the sooner the better for the good of all concerned." I actually had said that such farmers "would" be forced out of business, rather than "should," but I had not questioned the inevitable demise of farmers who failed to put the bottom line ahead of everything else. I suspect that misquote validated my economic credentials with many and made me the logical choice to head the Governor's Farm Crisis Advisory Committee.

I received the list of my committee members from the Governor's press secretary and set up the initial meeting. The press secretary also informed the news media that the Governor's committee would be meeting soon to provide the Governor with recommendations concerning the plight of Georgia farmers. I got a call from an Atlanta television reporter, Ju Ju Chang, asking when we were going to meet and if it would be okay for her to attend and report on the committee meeting. Naively, I told her when and where we were meeting, assuming the meeting was open to the public, and thus, was open to the media. I didn't bother to tell the Governor's press secretary about the call.

We held our meeting and came up with a list of recommendations. The television crew was there with cameras rolling. As chairperson, I was interviewed for the evening news. I talked mostly about our recommendations, which included establishing a crisis hotline and several regional counseling centers where farmers could seek one-on-one help in dealing with their financial problems.

The following morning I got a call from the Governor's press secretary. She was furious. The Governor had not given me permission to talk with the media, she scolded. I told her that I was a public employee, employed by the taxpayers, not by the Governor, and I didn't feel I needed the Governor's permission to talk with the media or anyone else. However, I said if I had been given instructions to clear my statements with her first, I would have done so. In the future, I said, I would appreciate receiving such instructions in advance, whenever she felt it was necessary. She assured me that I didn't need to be concerned about any future relations with the Governor's office because there would be none. The Governor established a telephone hotline but never did anything more. My potentially promising career in Georgia politics came to an abrupt end.

The Department of Agricultural Economics eventually was able to secure grant money from the USDA to carry out a farm financial crisis program on our own. We did one-on-one counseling with farmers, but on a much more limited scale than our committee had recommended to the governor. It was during these counseling sessions that I came face-to-face with the failings of my profession. It's one thing to understand something in the abstract, but it is quite another to confront the same reality in the form of a living person sitting across the table from you.

We asked farmers to bring whatever financial records they had to the meetings with them, so we could help them determine the seriousness of their situation and, hopefully, help them find a way out of trouble. Anywhere from four to six faculty members would attend each of these meetings. One of us would take personal responsibility for each farmer who attended, and would work with the same farmer all day. We went over their current financial situation in search of possible alternative solutions to their problems. During these sessions, I began to realize that the farmers with the greatest financial difficulties were those who had been doing the things that the Universities, USDA, agricultural lenders, and the rest of us so-called experts had been encouraging them to do. The farmers who were in real trouble were the *good farmers* – the innovators and early adopters – who had borrowed heavily during the 1970s to modernize and expand their farming operations. These good farmers were being forced out of business.

The land would still be farmed after these farmers were forced out of business. It would be bought by other farmers – who were better farmers only in the sense that they had, or could get, sufficient capital to weather the downturn in prices. In many cases, this capital was made available through incorporation. Most were family corporations, but even at that time, publicly owned corporations were making inroads into agricultural production. The land would still be farmed, but the farm economy was being transformed from capitalism to corporatism.

Some farmers who came to these meeting found that they were not really in any great financial difficulty. They were not doing as well as they had in earlier years, but they were in no real financial danger. Many of these farmers would have been classified as the late-adopters or the laggards. They had not borrowed a lot of money during the 1970s, because they had not expanded their operations. They had diversified farming operations so they didn't have all of their eggs in the export market basket, as the saying goes. They didn't push for absolute maximum production, so they had lower cash operating expenses and could better weather a decline in commodity prices. When they bought *new* equipment, it was typically was *used* equipment that someone innovative farmer had replaced long before it was worn out. The farmers who had ignored the advice of the experts during the 1970s were weathering the farm financial crisis of the 1980s fairly well. These farms would stay in the hands of family farmers. These farms were economically sustainable.

During the rest of my time in Georgia, I went about the state telling the truth as I saw it. The general theme of my talks was, "The Farm Financial Crisis; It's Not Your Fault." I talked about the technology treadmill. I talked about how farmers had been encouraged to expand production, plant fence row-to-fence row, and then left to *twist in the wind* as the economy fell apart. I talked about Reaganomics, its impact on interest rates, the value of the dollar, international trade, and the farm economy. And I talked about how the farm crisis and farm bankruptcies were inevitable consequences of our national farm policy. I didn't make many friends in the agricultural establishment, but a lot of farmers listened and began to understand what had happened to them and why. I was doing the best I could to be a good public servant in a bad situation.

I knew something was fundamentally wrong in the farm economy. Only later would I understand that the same thing is fundamentally wrong with the economy in general. Only later would I begin working in earnest to help build a sustainable agriculture, and, in so doing, to help build a more sustainable human society. But the direction of my professional career was forever changed during those face-to-face sessions with the farmers of South Georgia. From that time on, I have been a critic, and often an opponent, of the *establishment*. The *establishment* – universities, government agencies, civic organizations, and corporations – has been promoting an economic system that ensures the failure of capitalism and the success of corporatism. I didn't start using the term "corporatism" until many years later, but little by little, I began to see the failure of economics reflected in the rise of a corporate society.

Webster defines corporatism as "the organization of society into industrial and professional corporations (or groups), which serve as organs for political representation and which exercise control over persons and activities within their jurisdiction." We have a society of corporations, not a society of people. And, capitalism requires a society of responsible individuals, of people.

Capitalism is based on individual ownership of private property. But most private property in the U.S. today is owned by corporations, not by individuals. Private ownership by corporations is fundamentally different from private ownership by individuals. A true society must be made up of people, not corporations. The values and morals of a society must be a reflection of the values and morals of its people. Corporations have no morals. The only things a corporation values are profit and growth. People have hopes and dreams for the future. People have hearts and souls. Corporations have neither. The success or failure of most corporations today is measured solely in terms of their economic bottom line. In order for capitalism to work for the good of society, for the good of people, individual people must hold private property, not corporations.

I should hasten to point out I am referring here to publicly held corporations, where management or decision making has been separated from ownership. A family-held corporation, where the family participates in management decisions, is no different, in this respect, from a family-owned, individual proprietorship – the personal values of the family will be reflected in the decisions of the corporation. A closely held corporation, where specific individual stockholders can actively participate in decisions of the corporation, is no different from a partnership among people – the decisions will reflect the personal values of the stockholders. It's only when the stockholders become so many, or when stockholders fail to impose their personal values on corporate decisions, that corporations become *non-human*. When stockholders own stock for the sole purpose of increasing their wealth, as in the case with ownership by mutual funds and pension funds, for example, corporate managers have no choice other than to maximize profits and growth. The corporation has taken control of its people.

Today, some large corporations attempt to reflect human values in their corporate management strategies. For example, Interface Inc., a large Georgia carpet manufacturer, and Fetzer Vineyards, a large California winemaker, openly advocate managing for long run sustainability – using economic, environmental, and social measures of success. They call it managing for the *triple-bottom line*. The executives of such corporations should be commended for their commitment to humanity, but they are the exceptions rather than the rule. However, executives of such companies publicly admit to pressures from stockholders to justify each decision in terms of economics and to give priority to profits. In general, as the number of stockholders becomes large, they find it increasingly difficult to agree on pursuing any common objectives other than profits and growth.

Lack of choice is the most important factor separating corporations from individuals. Of course, some individuals and family corporations are just as greedy and ruthless as any public corporation. But, individual people have a choice to be otherwise. They deny their moral and social responsibilities because they choose to, not because they have to. The managers of most publicly held corporations have no choice – they must maximize profits or lose their job. Most make the career choice to manage for profits and growth, but once their career choice is made, many other options are closed. Capitalism, on the other hand, requires individual ownership, individual decision-making, and individual responsibility.

Capitalism also is based on competitive markets, but as indicated previously, today's markets are not competitive. It's no longer a matter of markets being *imperfectly* competitive or *sufficiently* competitive – they simply are not competitive. There is no assurance today that pursuit of individual self-interests is being transformed into the common good. None of the economic conditions that must support capitalistic markets is present in today's economy.

Markets are no longer characterized by a large number of buyers and sellers. Today's markets can be characterized more accurately as being dominated by a handful of giant corporations. The actions of any one of these large firms can have a major influence on overall supplies and prices in the market place. These firms have the power to set prices and to increase or restrict market supplies to protect their profit margins. Cost savings are not passed on to consumers, but retained as corporate profits. The rewards necessary to reallocate productive resources are not passed on to suppliers of basic natural and human resources. Consumers get the variety and quantities of goods and services that maximize corporate profits, which are not necessarily the same variety and quantities needed to maximize consumer satisfaction.

These firms are impacted by, and thus are keenly aware of, each other's strategies and actions. They jostle for market position, they conspire, they play games, – there are not so many that each can ignore the actions of any other. When the number of dominant firms drops to four or less, sociological studies have shown that they can conspire to enhance their collective profits, even without communicating directly. Such markets are not competitive, at least not in an economic sense.

In some industries, corporations may compete fiercely for market share, and thus, may produce even larger quantities at lower prices than would firms under perfect competition. However, as firms gain greater market share, by necessity, fewer firms survive, and the market becomes less economically competitive. Economic *survival of the fittest* may be defined as *monopoly*, where one firm controls the total market and has uncontested power to maximize its profits by exploiting both consumers and suppliers of inputs. In fact, the goal of today's corporate *competition* is the elimination of economic competition.

Today's markets are not characterized by homogeneity, but by a multitude of superficially differentiated products. Suppliers attempt to carve out a unique market niche for themselves so they won't have to compete head-to-head with other suppliers. When successful, they have no direct competition for any consumer product in the marketplace. Each supplier has a monopoly, albeit weak in many cases, for each of their consumer products. This is no trifling matter. Retail shelves are so full of superficial variations of the same thing that there is no room for meaningful variety or true consumer choice.

It is not easy to get into or out of today's type of business. Initial investments for new entrants would be huge. Today, total capital assets of industrial corporations are measured in millions and billions of dollars. Most have thousands, or hundreds of thousands, of stockholders. It isn't easy to achieve a size that justifies a public stock offering, and without going public, most new enterprises cannot get large enough to compete for market share. Today, it is not easy to get out of most corporate businesses. In addition, management decisions have been largely separated from ownership, and management is not about to get out of a business for any reason short of bankruptcy. Thus, scarce resources are not efficiently reallocated among competing uses so as to maximize consumer satisfaction – as is necessary for efficient, competitive markets.

Corporations buy and sell other corporations, they merge and spin off, but all of this has little to do with responding to changing consumers' wants and needs. Companies may claim they are responding to consumer demands by introducing new products or *new and improved* versions of current product lines. But there is nothing to ensure that resources are being allocated to meet consumers' needs, as long as it's difficult, if not impossible, to get into or out of business.

It is not easy to get accurate product information. Few transactions today take place face-to-face between producer and consumer. Most products go through at least a half-dozen different stages of production, each represented by a different specialized corporation in vertical supply chains that link production to consumption. Government regulations establish grades and standards, require specific labeling, and discourage fraud and deceptive practices. These are all reactions to the fact that consumers no longer have any real knowledge of when, where, how and by whom their products were produced. All of this information is helpful, but none of it can possibly take the place of direct contact with producers. Some retailers have adopted a policy to allowing customers to return items for any reason for a full refund, in an attempt to cope with the fact that consumers almost never have accurate product information at time of purchase. But a liberal return policy is not the same as giving consumers sufficient information to allow them to avoid buying things that will not meet their needs in the first place.

Advertising has probably done more to destroy capitalism than has anything other than the corporate organization. Advertising makes a mockery of the concepts of consumer sovereignty, perfect information, and undifferentiated products. Advertising today is not designed to provide information, it is designed to persuade the consumer to buy – regardless of whether they have a real need for, or even want, what is being offered for sale. When the first corporate advertising agency hired the first Ph.D. psychologist to produce its ads, sometime in the 1940s, the business of advertising shifted from *informing* to *creating* wants and *needs*. Advertising is used to create the illusion that one product is better than another – even when no tangible difference exists. It is designed to confuse; it is disinformation by design. Advertising is a purposeful attempt to escape the discipline of market competition. There is nothing in economic theory that deals with the use of potentially productive resources – labor, money, and management – to warp and bend consumer tastes and preferences to conform to the desires of producers.

There is absolutely no logical reason to believe that markets today are competitive – at least not in the sense of competition needed for a capitalistic economy.

Capitalism also is based on the principle of minimum involvement of government in the economy. In America, however, the government and the economy have become essentially one and the same. Corporate interests permeate every aspect of government – from the making of laws to the delivery of basic public services. It's virtually impossible to run successfully for any major office without corporate financial backing. High level corporate and government officials swap positions regularly as they move freely through the *revolving doors* between big industry and big government. The corporations have gained so much influence in government that not only has government failed to constrain corporate greed, government has become a tool of corporate exploitation. Through corporate welfare, government now aids and abets in the exploitation of both people and natural resources to feed the unquenchable corporate hunger for evermore profit and growth.

Government itself has become corporatist in that its organization and function reflect the same power hungry, industrial mentality found in publicly held corporations. The oft-stated bureaucratic goal of corporatists today is to make government work like a business. Unfortunately, they are succeeding.

The branches of government have evolved into complex collections of departments, committees, commissions, and bureaus, each of which performs highly specialized functions. Our laws and regulations emerge as the final product from a long and complex legislative assembly line. The process begins with specialized legislative aides who collect information on specific issues for congressional members of legislative committees that deal only with specific issues, where lobbyists for special interest groups defend their narrow self-interests. From there, successful legislation moves on down the assembly line, step-by-step, through both houses of Congress, and eventually to the governor's or President's office for approval. Making a law today is a lot like making a car.

Once a law is passed, the Executive Branch takes over. Once again, an assembly line process comes into play. Each law is referred to a specific government department, bureau, or agency, which carry out a specific set of specialized functions according to rules, procedures, and orders with a vertical chain of command extending from the county seat to Washington, DC. There is no place for individual judgment or creativity in addressing the questions or problems of constituents. Working in a government bureaucracy is a lot like working on an automobile assembly line.

In the judicial branch of government, the court system also is specialized, standardized, and hierarchical in nature. Specific courts handle specific kinds of cases, either civil or criminal, and specific kinds of civil or criminal cases. The prosecution and defense are represented by lawyers, who engage in an adversarial struggle. The truth is supposed to emerge from this competition between adversaries – just as economic value emerges from competition in the market place. A jury votes, or a judge decides who has won the battle. Penalties for specific crimes are specified by law or are based on precedents – to standardize punishment. The perception seems to be that administering justice is fundamentally no different from making an automobile. Just follow a specific process, step-by-step, and the result will be justice.

The industrialization of public services most certainly is not limited to government. In medical care, for example, most doctors are now specialists – not just in surgery or internal medicine, for example, but also in a specific kind of surgery or medicine, for a specific age of patient, or a specific kind of ailment or disorder. Those who are not specialists actually specialize in being general practitioners, in referring patients to the appropriate specialist. Patients are passed through a medical assembly line as they go from doctor to doctor, from test to test, and from room to room in the hospital. The underlying assumption seems to be that by working on each part of the patient, step-by-step, the person as a whole can be made well.

This same philosophy has come to dominate almost every type of public service. From national defense, to public transportation, to public schools to volunteer fire departments, each public service is provided by a collection of specialized individuals, following standardized operating procedures under the control of a centralized chain of command. Individuals have very little choice in what they do, say, or think. These industrialized public servants are but very small cogs in big bureaucratic machines.

Even our universities, supposed institutions of higher learning, have become nothing more than information factories. Professors are no longer true doctors of philosophy, or searchers of truth, but have become information specialists. Universities are divided into disciplinary departments, and disciplines are subdivided further into narrow areas of specialization. Many scientists specialize still further by studying only specific types of questions within their specialty. A common witticism is that today's academics "learn more and more about less and less until they eventually know everything about nothing," and it is true.

Scientists work on their own little piece of the world under the assumption that a better understanding of their piece will somehow contribute to a better understanding of the whole. It doesn't – not necessarily, anyway. The purpose and meaning of the part is derived from the whole, and thus, the part cannot truly be known or understood without knowledge and understanding of the whole. Scientists today generate *data* by recording observations of things that happened under specific sets of circumstances. Scientists synthesize *information* when they drawing conclusion from their data. They write journal articles or research reports to share their observations and conclusions with other scientists. While they create useful information, they create little if any true knowledge or understanding.

Knowledge requires integration of information concerning the parts so conclusions can be drawn regarding implications for the whole, which cannot be done without knowledge and understanding of the whole. For example, a scientist may generate information by manipulating the genetic material of an organism, but he or she cannot possibly create knowledge without understanding how genes work together to define the nature of the organism. How might the manipulation of a specific gene change the expression of other genes, and thus, change the organism as a whole or affect future generations of its species? Today's scientists, working on their little specialized section of an *information assembly line*, create a lot of information but very little knowledge.

With a few notable exceptions, teaching has become little more than an industrialized *information transfer* process. Most students enroll in highly standardized courses of study that specify which courses have to be taken in a specific sequence, with relatively few, yet still restricted, electives. Each required course in a curriculum must cover the same basic material, regardless of who teaches it, because each course builds on information conveyed in the previous course. The student moves from one stage to the next on the assembly line, until they emerge as a college graduate. For those who go on to graduate school, it is *more of the same, piled higher and deeper.*

Students emerge from this process with lots of information. However, if students gain knowledge through such an education, they must do it pretty much on their own. There are some notable exceptions where faculty members have rebelled against the manufacturing of education and provide positive learning experiences for their students. But, these exceptions tend to validate the rule.

Corporatism, in the generic sense, is a natural consequence of this industrial mind-set that permeates the whole of contemporary American society. As we have come to rely on specialization as the primary means of achieving greater efficiency, we have all learned to function as parts of various special-purpose, hierarchically controlled groups.

At work, we belong to various departments, divisions, or work units, regardless of whether we work for private or public organizations. We serve as members of various committees, workgroups, taskforces, or teams. At school, we are members of classes, teams, and special interest groups. In our communities, we serve on various committees, boards, and advisory groups. In politics, we are mostly Democrats and Republicans.

Political parties, labor unions, special interest organizations, and non-profit organizations of all types, can be just as *corporate* in concept as are corporate business organizations. When the leadership of such organizations becomes separated from its membership, when members do not participate directly in organizational decisions, the leadership almost invariable puts perpetuation of the organization ahead of fulfillment of its purpose. Such an organization can be just a ruthless in its pursuit of increased membership, increased revenues, and increased salaries for organizational officials, as is any private corporation in its pursuit of profits. And, as non-profit organizations grow in membership, members find it increasingly difficult to participate directly in organizational decisions – the organization becomes a conceptual corporation.

Virtually everything we do of economic or political significance, we do as members of corporate groups. These groups have specific, specialized purposes and tend to perform them according to standardized procedures under the direction of some centralized authority. Corporatization means that we function through groups, rather than as individuals. Industrialization inevitably leads to corporatization, in matters both political and economic.

Corporatism is not new but as old and as common as industrialism. Both are symptoms of the same mental paradigm or way of thinking. Corporate domination of the political process seems to come and go over time. As discussed previously, Teddy Roosevelt and the Progressive Movement at least checked the growth in corporate influence in America in the early 1900s. Later, Dwight Eisenhower warned of returning corporate influence on the military sector, labeling it the military-industrial complex. Many seemed to listen, but no one did much about it. Since the early Reagan years, direct corporate influence on political, economic, and even personal matters has been not only unchecked but also encouraged. David Korten's book, <u>When Corporations Rule the World</u>, is one of many good books outlining the corporatization of modern society.[1]

As we enter the new century, corporations impact nearly every aspect of American life. Corporations decide what occupations we can pursue – if we choose not to go into business for ourselves. Corporations decide what we can buy in the stores, what types of entertainment we can choose, what kinds of cars we can drive, and how we will communicate. They even decide what kinds of schools our kids will attend, what type of church pews we will sit in, what candidates for office we may vote for, even what we think we want and *need*.

However, the potential societal gains from specialization, standardization, and consolidation were largely realized several decades ago. The corporation no longer has any particular economic advantage in organizing resources for efficient production. In fact, as we move farther into the post-industrial era of development – which focuses on people rather than products – the corporation becomes increasingly obsolete. But corporations have no natural life span. They do not die a *natural death* – no matter how old or obsolete they become. They are designed to live forever and to do whatever must be done to feed their never-ending need for profits and growth. Thus, corporations quite naturally have turned from resource utilization to resource exploitation as their ability to meets the real needs of society have diminished.

The corporatization of American society is perhaps more clearly understood with respect to politics than to any other aspect of society. One doesn't need to analyze a mountain of statistics to know that corporations largely finance most political campaigns. The only close contenders to corporate businesses are labor unions and political action committees (PACs) – simply different kinds of corporate groups, focused on shaping government to meet the specific desires of their particular interests.

By far, the biggest costs of running a major political campaign are associated with mass media – television, newspapers, radio, mass mailings, etc. Political consultants use tactics honed by corporate advertisers to promote and package their candidate – to cover up serious flaws and create allusions of positive attributes that do not exist. They attempt to create false threats and unfounded fears in the minds of voters, so their candidate can promise to remove them, if elected. They attempt to erase real threats and fears from the minds of voters, if they can't convince voters their candidate, if elected, can and will address those issues.

A political campaign is not about letting voters learn as much as possible about the candidate, it is about carefully packaging and promoting the candidate, so she or he will get as many votes as possible, regardless of their qualifications. Such campaigns cost money – in major elections, lots of money. Corporations have lots of money to spend and lots of things that they want politicians to do for them. Quite possibly one of the worst, and potentially most destructive, Supreme Court decision ever made was the ruling that the principle of free speech included the right of corporations, as *unnatural* citizens, to contribute to political campaigns.

Politicians know there is a major problem, but they don't know how to solve it. They don't see how anyone can oppose corporate influence without being defeated in the next election. If the corporate opponents are defeated, the newly elected corporate advocates will simply undo anything the opponents might have done, and the situation will be the same as before. Why should they sacrifice their political career if it isn't going to do any good in the long run?

Besides, they rationalize, corporations aren't really buying influence with their contributions; they are only buying access. Elected officials may have some responsibility to listen to their major contributors, but they would never make a promise to vote a particular way on a particular issue in response to a political contribution. That would be bribery, and they are not dishonest. However, most legislators may not even realize the extent to which they are influenced by the simple act of selective exposure.

If they listen only, or even listen mostly, to those who have one perspective on public issues, they will come to believe this is the only legitimate perspective to consider in serving their constituency. They may be completely unbiased in their choices, but may consider only choices consistent with one particular perspective to be legitimate. For example, if only those who advocate industrial approaches to economic development have political access, then the lawmaker may seriously consider only those development options that fit the industrial paradigm. Constituents who propose non-industrial approaches will have been disenfranchised – even if they write letters and make phone calls. They didn't contribute enough to his or her political campaign to gain sufficient credibility to justify consideration of their perspective.

Corporations shouldn't be allowed to participate in politics because corporations are not people; they have no moral or social values. They have no ethical sense of right and wrong or good and bad, and thus, have no moral right to participate in any democratic process. Individuals have money also, but it is far more difficult to raise lots of money from lots of individuals than from a few large corporations. As individuals, most people know they have little hope of influencing the political process in their favor. That's the reason they join political action groups to represent their social and ethical interests – and support the right of corporations to represent their economic interests as well.

Most people, as individuals, have dropped out of the political process. Most eligible voters don't vote, even in general elections, and many don't even bother to register. They don't see that their vote really makes much difference one way or the other. So why bother? They don't get to decide which candidates appear on the ballot. They can vote in primary elections, but a candidate can't be a contender in the primaries without a lot of corporate backing. The corporations decide who gets to run for office, not the people.

Even if they like a candidate who is running, they know their vote won't be of any real significance. The pollsters will have decided who most of the winners will be in most races, long before the election. The TV networks will decide the races that are close by exit polls on Election Day. For the most part, counting votes is just a formal validation of what's already known. The real elections are won or lost by shaping public opinion through the media, not by turning out supporters at the voting booth. So why bother?

Most don't bother. Even if sixty-percent of eligible voters actually register to vote, and if sixty-percent of them show up to vote, a candidate can get a majority by receiving votes from less than twenty-percent of all eligible voters. That's a pretty scary way to run a democracy! The corporations, not the citizens, are in control of the current American version of Democracy. There is nothing to indicate that this corporatist democracy is even a logical, reasonable form of government. We should know that it doesn't make common sense. Yet, few are even willing to question why we have abandoned our individual democracy for corporatism.

Corporate influence on society most certainly is not limited to elections. Public television ran a special in early 2000 entitled "Free Speech for Sale," which provided some interesting examples of the type of corporate influence that permeates all aspects of our society. The first example concerned the efforts of the U.S. Congress to pass legislation that would penalize the tobacco industry for misleading consumers regarding the health impacts of smoking. The legislation would have forced the tobacco corporations to pay billions of dollars to cover the costs of smoking-related medical costs and to quit advertising and promoting tobacco to teenagers.

The tobacco industry tried to *cut a deal* with Congress that would have minimized their economic pain while improving their public image. When the deal fell through, the tobacco industry relied on its political and economic might to defeat legislation that had already been approved in principle by both houses of Congress. They put pressure on politicians who received large political contributions from the tobacco industry and mounted a major mass media campaign to discredit the proposed legislation and those in Congress who supported it. The tobacco industry won. The legislation failed and the tobacco issue was left to be resolved in the courts – where the tobacco firms may lose some cases, but have more than adequate resources to sustain their defense.

The next story was about a North Carolina legislator who had unwittingly taken on the corporate hog industry. Murphy Farms, Smithfield, and other agribusiness firms had been building giant concentrated hog feeding operations all across the state of North Carolina. These are huge operations, often generating as much waste as a city. These hog factories fill the air with obnoxious odors for miles around, pollute groundwater and foul streams, displace family hog farms, and in general, are not desirable neighbors to have move into any community. They generally locate in economically depressed areas where people are desperate for the few low-paying jobs they bring, and where people lack the political influence necessary to keep them out.

The PBS story was about a newcomer on the local North Carolina political scene who sensed strong local opposition to a giant hog factory proposed for her area, and promised that, if elected, she would oppose it. She won the election, but lost the *hog war*. The corporate hog operators set about to destroy this political newcomer. They dug into her past and distorted her reputation. They mounted an advertising campaign to destroy her politically. They effectively neutralized her efforts to protect her community through their political influence in the state legislature. According to the report, the corporate hog operators built their hog factory while destroying the personal reputation and political career of an elected representative who was trying to meet the legitimate needs of her constituency.

The final story was about corporate ownership of virtually all of the major news media – newspapers, radio and television stations, newsmagazines, etc. They talked about how the focus on corporate profits rather than public information has shifted the focus of news reporting from providing public information to providing entertainment – whatever it takes to keep the ratings up and the advertising dollars flowing. But most disconcerting, is the growing evidence that decisions are being biased, regarding which news stories are covered and which are ignored, by corporate ownership of the media.

The question of corporate sponsorship of news programs has been an issue for some time. Corporations almost certainly have threatened to pull their advertising from networks and newspapers to coerce reporters to temper or stifle unfavorable news about their company. Such threats may have been effective in some cases, but there were always other advertisers. PBS is a private, non-profit enterprise, owned and operated by the nation's independent public television stations. PBS has becoming increasingly dependent on large corporate sponsors, but it also has millions of individual contributors. Corporate ownership of the news media is quite a different matter. How can a TV station be expected to report a news story objectively, if it is almost certain to decrease the market value of the corporation that owns the station? Why should we expect accurate news reporting concerning adverse corporate impacts on society when the corporations that are adversely impacting society own the news media?

Corporate influences of which I have first-hand knowledge are those within the University community. Over a thirty-year period, I worked at major Land Grant Universities in four different states. Over this period, I saw corporate influence grow from so little as to be of no concern, to a situation today that threatens the very integrity of our public academic institutions. In the early days in North Carolina and Oklahoma, as far as I could tell, corporate influence came mainly through influence on individual faculty members. Some faculty members did private consulting with corporations and came under the same type of influence as do honest politicians. If they spend a lot of time with people who only considered one basic approach to creating opportunities or solving problems, these professors were unlikely to consider any alternative paradigm to be legitimate. These people were not making laws, but they were deciding what kinds of research to do with taxpayers' money.

Besides consulting, faculty members were exposed to corporations when testing various products – such as seed varieties, pesticides, feeds, etc. – to develop recommendations for farmers and ranchers. The agribusiness suppliers, obviously, would do anything they could to improve the odds that the university would add their particular product on their lists of recommendations. Those of us who worked in agricultural marketing had fewer opportunities to be courted by industry, but we did have relationships with the commodity exchanges, particularly the Chicago Board of Trade and the Chicago Mercantile Exchange. They would pay our travel expenses to come to Chicago for seminars and would provide funds for workshops with producers. We taught the producers how to hedge in the futures markets, but futures markets meant the CBT and CME. Such relationships undoubtedly influenced faculty attitudes, then and now, but I still don't feel faculty/corporate relationships of this nature unduly bias the work of faculty members at public institutions. Everything to which we are exposed shapes our attitudes in one way or another, and who is to say which exposures create biases and which create understanding?

In more-recent years, however, the nature of many academic/corporate relationships has become much more bothersome. I am confident the changes I have observed are much more a reflection of changing times than of differences among the institutions where I was working. I have reason to believe I would find much the same situation at any other university as I see at the University of Missouri today.

The Land Grant University system was established in the late 1800s to be the *peoples' universities*. Each state was given a grant of public land, to be used to establish a system of state universities, which would emphasize education of use to the *common people*, in areas including agriculture, mining, engineering, and military service. These universities were to be technical in orientation, but not to the exclusion of the basic arts and sciences. Prior to the Land Grants, a college education was available only to the affluent, or to those of influence – primarily through private educational institutions. These new public institutions were to be open to all, to serve the public good by ensuring an educated society, by making higher education available to the masses. The research and extension, or outreach, functions of the Land Grant System were added later, but still the focus was on publicly funded research and education to serve the public good. Of course, the public university system of today is not comprised solely of Land Grant Universities, but the Land Grants still have a distinct mission, to serve the common people.

Enrollment at public universities grew steadily throughout the early 1900s, but exploded with the return of veterans from World War II. The GI Bill for higher education was not only a means of rewarding veterans for their heroic service to the nation but also of boosting the overall intellectual capacity of American society. Public universities maintained strong public support throughout the '50s and '60s – particularly with the strong government push on the sciences and research during the race with Russia to land a man on the moon. But sometime during the 1970s, the tide of public funding for research and education began to ebb. By the 1980s, most public universities were becoming anxious, if not desperate, for funds.

During the Reagan years, society seemed to lose faith in government – anything done by the government, by assumption, could be done better by the private sector. Government involvement meant government interference into matters that could best be handled by private individuals and corporations. I don't believe this change in attitude was a product of natural evolution in human thinking; it was the result of a thoughtfully devised corporate strategy to *get the government off our backs*. Increased regulations, specifically, environmental and worker health and safety regulations, had been passed by Congress during the 1970s and were taking a toll on corporate profits and growth. The corporations had their man in office now and were fighting back. However, this *less government is good government* attitude didn't stop with government regulations; it affected public attitudes toward everything the government did, including public research and education.

Public funding of research and higher education began to decline, or at least to increase far more slowly than the universities' costs of doing business. Universities were told that they would have to become more efficient, that they would have to become more like private organizations; they were going to have to be held accountable for every public dollar they received. The universities responded by doing what was asked, they streamlined their educational assembly lines and they focused their research on things that could be measured, things that contributed to the economic bottom line. As they became more *efficient* in doing things that could be counted, they became less *effective* in doing things that truly served the public good. The universities may have pleased the politicians and bureaucrats, but they weren't pleasing the public – the quality of a college education declined and important needs of common people were ignored in the public research agenda.

Declining public support for public universities meant declining taxpayer support for public research and education. By this time, university administrators were thinking like corporate executives, and the corporation executive equates downsizing to failure. It would take decades to rebuild lost public confidence; and increasing public funds would be difficult if not impossible to secure in this era of privatization. The public universities turned to the private sector for help – or at least were more open to private sector offers of financial help. The universities were already accustomed to receiving money from private foundations, and trade associations, which presumably were committed to pursuit of the common good of their respective memberships. But by the 1990s, the public universities were actively pursuing *big* money – money for *joint ventures* offering huge potentials for private profits.

The Bayh-Dole Act of 1980, for the first time, had allowed public universities to patent the results of federally funded research and for the universities to share in royalties with the corporations that commercialize their discoveries. Numerous other laws have since been passed to tear down the wall between public universities and private corporations – such as giving generous tax credits to corporations that fund research at public institutions. University administrators rationalize such arrangements with the argument that the public can benefit from research discoveries only after they have become commercialized – after products that embody the discovery appears in the market place. They argue that joint ventures with private corporations better focus the research on commercial ideas and speed the process of commercialization.

The underlying assumption today seems to be that public benefits are mostly economic benefits that arise only when ideas and discoveries are transformed into private goods and services. University administrators seem to have forgotten, assuming they ever understood, that true public benefits accrue to society as a whole, not to individuals, and that many public benefits cannot be measured in terms of dollar and cent values in the private marketplace. Certainly, some private goods and services, such as food and jobs, also benefit society, but there are private profit incentives to produce such things. Public funds are to be spent on those things that have inadequate, if any, profit incentives, and thus, will not be provided by the private sector – in spite of their potential benefits to the public in general. If the private sector has a profit incentive to carry out research, private firms will do it. Subsidizing research that private corporations eventually would do anyway, even without public funding, is a clear misuse of public funds.

Electronic information and biotechnology are the big sources of private corporate funding for public universities these days. Both of these emerging industries are being driven by new discoveries – and innovations are occurring at a blinding pace. Both depend on the products of innovative, creative minds, which historically have been concentrated in universities. Both may require investments in expensive equipment that may become obsolete long before it is worn out. There are powerful incentives for private corporations in these areas to form joint ventures with public universities, to tap the brainpower of university faculties and to focus public funds on the most risky aspects of the discovery process. But, there are also huge potential profits to be had from the discovery process.

So the corporations offer the universities an opportunity to stay on the cutting edge of research, more than offsetting their lost public funding with large private grants and contracts. Beyond that, they give the universities an opportunity to share in huge potential future profits, and eventually, to free themselves from the constraints of being a public university, and to become a part of the private corporate sector that they so much admire. No one really seems to care about the true *public good* anymore. "What's good for Microsoft and Monsanto is good for America," they seem to be saying.

In Georgia, I saw the growing corporate influence primarily through the impact of corporate agriculture on the College of Agriculture and Life Science programs, such as poultry science and forestry. Those industries created positions on the university faculty, wrote the position descriptions, and made it clear that people who held those positions were responsible to the industry, not to the people of Georgia. But, those influences were minor when compared to those I have seen in Missouri.

A past Dean of the College of Agriculture, Food, and Natural Resources and the then Chancellor of the University of Missouri, openly boasted in the local media of their "partnership" with Monsanto, a major corporate leader in the field of biotechnology. Monsanto provides grant money to the University, but perhaps more important, the Monsanto partnership gives the University the credibility it needs to leverage huge amounts of federal funding for its biotech research programs – euphemistically called, Life Sciences. Since Monsanto is a major Missouri corporation, its considerable political clout with state legislators has been of great financial benefit to MU. It's truly a win-win situation for Monsanto and the *corporate University*, but not for the taxpayers of Missouri. While Monsanto and MU eye huge profits to support future growth, Missouri taxpayers continue to foot a good part of the bill. Public research and education is supposed to serve the public good, but instead is being diverted to serve the interests of corporate and university bureaucracies.

What does all this mean to the average person on the street? It means that we, the people and citizens of this country, are no longer in control of either our economy or our government. We no longer have a capitalistic economy; we have a corporatist economy instead. In a capitalistic economy, the consumer is king, and resources are allocated to meet the needs of the people. Capitalism may not have fulfilled the social and ethical goals of a society in the past, but true capitalism at least allocated resources to meet material needs of people as individuals. Corporatism only fulfills the needs for profits and growth of people as members of groups – as shareholders in corporations.

In a representative democracy, people decide, individually, who they want to represent them in the political process. The judgment of the people may not be perfect, but a democracy reflects the will of the people. In a corporatist society, corporations control the government and public institutions through their ability to influence elections and decision of politicians and bureaucrats. Corporations have no moral or social agenda for the betterment of society; they pursue only profit and growth. When people participate in the political process, most participate not as individuals but as members of special interest groups. In our corporatist society, the people have abrogated their individual responsibilities.

Capitalism simply doesn't work when business decisions are driven by corporate needs for profit and growth rather than by the interests of individual investors. Democracy simply doesn't work when political decisions are driven by the agendas of special interest groups, including business corporations, rather than by the interests of individual citizens. The economic and political systems that made America great are no longer working – and won't work until people again both make and take responsibility for their own decisions and actions.

It is time for a new revolution. Industrialism is obsolete and corporatism is obscene. Industrialism is based on a mechanistic paradigm, and thus, is fundamentally incapable of evolving and changing to meet the changing needs of a living, growing, regenerative human society. There is no theoretical or philosophical foundation for believing that corporatism will lead to the betterment of human society or that a corporate society can be sustained over time. We have stumbled into the current unsustainable situation, but there is still time to get out of it. There is time to change.

There are far better alternatives for the future. In fact, the newly emerging post-industrial era of knowledge-based development already can be seen in a thousand different ways in every sector of modern society – although it remains in the crevices and on the margins of the current corporately dominated landscape. These new systems of development will continue to thrive and grow because they meet the needs that industrialization cannot meet and address problems that industrialization has created. The world is continually changing. Industrialization was the dominant organizational paradigm of the past, but not of the future. Corporatism is the dominant economic and political paradigm of the present, but not of the future. Our common sense tells us that the corporate industrial model just isn't working. It's time to find the courage to think and to act. It's time for a return to common sense.

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[1] David Korten. 1995. When Corporations Rule the World. Kumarian Press, Inc. Wes Hartford. CT.