Bakan, J. (Nov 2006). Are you working for a psycho? *The Ecologist.*

Vol. 34, No. 9.

Church. Monarchy, State. All have at one time been the most powerful force in our lives. but no more. These days the world is run not by people, but corporations, and they are only interested in one thing - themselves. This exclusive extract from a new book the rotten core of the corporate world.

Over the course of the Twentieth Century the world stumbled, haltingly and unevenly, toward greater democracy and humanity. New nations embraced democratic ideals, and governments in extant democracies expanded their domain over society and the economy. Social programmes and economic regulations were created as part of a broad midcentury movement by Western governments to protect their citizens from neglect by the market and from exploitation by corporations.

Beginning in the latter part of the century, however, governments began to retreat. Under pressure from corporate lobbies and economic globalisation, they embraced policies informed by neoliberalism. Deregulation freed corporations from legal constraints, and privatisation empowered them to govern areas of society from which they had previously been excluded. By the end of the century, the corporation had become the world's dominant institution.

As images of disgraced and handcuffed corporate executives parade across our television screens, pundits, politicians, and business leaders are quick to assure us that greedy and corrupt individuals, not the system as a whole, are to blame. Despite such assurances, citizens today - and many business leaders too - are concerned that the faults within the corporate system run much deeper than a few tremors on Wall Street would indicate.

According to William Ford Jr, chairman of the Ford Motor Company and great-grandson of corporate social responsibility pioneer Henry Ford, "corporations could be and should be a major force for resolving environmental and social concerns in the twenty-first century".

There is much evidence to support his view. Corporations now boast about social and environmental initiatives on their websites and in their annual reports. Entire departments and executive positions are devoted to these initiatives. The business press runs numerous features on social responsibility and ranks corporations on how good they are at it. Business schools launch new courses on social responsibility, and universities create centres devoted to its study.

Not everyone, however, is convinced of corporate social responsibility's virtue. Milton Friedman, for one, a Nobel laureate and one of the world's most eminent economists, believes the new moralism in business is in fact immoral.

When Friedman granted me an interview, his secretary warned that he would get up and walk out of the room if he found my questions dull. So I was apprehensive as I waited for him in the lobby of his building. This must be how Dorothy felt, I thought, just before Toto pulled back the curtain to reveal the real Wizard of Oz. Friedman is an intellectual giant, revered and feared, deified and vilified, larger than life. So I felt some relief when he entered the room smiling, a charming little man who, like the wizard himself, barely broke five feet.

"A corporation is the property of its stockholders", he told me. "Its interests are the interests of its stockholders. Now, beyond that should it spend the stockholders' money for purposes which it regards as socially responsible but which it cannot connect to its bottom line? The answer I would say is no." There is but one "social responsibility" for corporate executives, Friedman believes:

they must make as much money as possible for their shareholders. This is a moral imperative. Executives who choose social and environmental goals over profits - who try to act morally - are, in fact, immoral.

There is, however, one instance when corporate social responsibility can be tolerated, according to Friedman - when it is insincere. The executive who treats social and environmental values as means to maximise shareholders' wealth - not as ends in themselves - commits no wrong. It's like "putting a good-looking girl in front of an automobile to sell an automobile", he told me. "That's not in order to promote pulchritude. That's in order to sell cars." Good intentions, like good-looking girls, can sell goods. It's true, Friedman acknowledges, that this purely strategic view of social responsibility reduces lofty ideals to "hypocritical window dressing". But hypocrisy is virtuous when it serves the bottom line. Moral virtue is immoral when it does not.

Corporations and the culture they create do more than just stifle good deeds. They nurture, and often demand, bad ones. Marc Barry knows this all too well, and he is not bothered by it.

Barry, is a competitive intelligence expert ("Essentially I'm a spy", he says), and likes to think of himself as a good date. "I like to be able to go out and have a nice dinner with someone", he says. "There's so much trickery and deception in my job that I don't really want it in my private life". At work, Barry says, he is a predator engaged in morally dubious tasks. Corporations hire him to get information from other corporations: trade secrets, marketing plans, or whatever else might be useful to them. He has set up a phony recruiting firm, he says, complete with pictures of his phony family on the desk, and called executives from a competitor's firm to offer them better jobs. "When the executive shows up", he boasts, "he doesn't realise ... I'm actually debriefing him on behalf of a competitor ... it's all just a big elaborate ruse to glean competitive information from him". For Barry, a regular day at the office is filled with venal actions and moral turpitude.

Yet Barry believes he is a decent person because he can draw the line at his personal life. "I can go and pick the pocket of some executive at a trade show in Miami", he says, "so badly that I know his company's going to be out of business in six months, and I can go home and sleep like a baby, and it's no big deal, you know, because it's business". "The way you live with yourself", he says, "[is] to have a very compartmentalised life".

Barry also takes comfort from the fact that he is no more morally wanting than the top executives and CEOs who hire him (he says he's worked for more than a quarter of the Fortune 500 companies). "If you're a CEO", says Barry, "do you think your shareholders really care whether you're Billy Buttercup or not? Do you think that they really would prefer you to be a nice guy over having money in their pocket? I don't think so. I think people want money. That's the bottom line."

Barry's morally compartmentalised life is exactly what Anita Roddick tried, unsuccessfully, to avoid at the Body Shop. She and Barry likely would not be friends or dinner companions. The two do have one thing in common, however - a view of the corporate world as amoral. Barry accepts it, Roddick regrets it, but both believe it to be true. Roddick blames the "religion of maximising profits" for business' amorality, for forcing otherwise decent people to do indecent things: "Because it has to maximise its profits ... everything is legitimate in the pursuit of that goal, everything ... So using child labour or sweatshop labor or despoiling the environment ... is legitimate in the maximising of profit. It's legitimate to fire fifteen thousand people to maximise profits, keep the communities just in such pain."

The managers who do these things are not monsters, Roddick says. They may be kind and caring people, loving parents and friends. Yet, as philosopher Alisdair MacIntyre observed - and Barry lives - they compartmentalise their lives. They are allowed, often compelled, by the corporation's culture to disassociate themselves from their own values - the corporation, according to Roddick, "stops people from having a sense of empathy with the human condition"; it "separate[s] us from who we are ..." "The language of business is not the language of the soul or the language of humanity", she says. "It's a language of indifference; it's a language of separation, of secrecy, of hierarchy". It "is fashioning a schizophrenia in many of us".

Psychology, as Roddick's last comment suggests, may provide a better account of business executives' dual moral lives than either law or economics. That is why I asked Dr Robert Hare, a psychologist and internationally renowned expert on psychopathy, for his views on the subject. He told me that many of the attitudes people adopt and the actions they execute when acting as corporate operatives can be characterised as psychopathic. You try "to destroy your competitors, or you want to beat them one way or another", said Hare, echoing Roddick and Barry, "and you're not particularly concerned with what happens to the general public as long as they're buying your product". Yet, despite the fact that executives must often manipulate and harm others in pursuit of their corporation's objectives, Hare insists they are not psychopaths. That is because they can function normally outside the corporation - "they go home, they have a warm and loving relationship with their families, and they love their children, they love their wife, and in fact their friends are friends rather than things to be used". Businesspeople should therefore take some comfort from their ability to compartmentalise the contradictory moral demands of their corporate and noncorporate lives, for it is precisely this "schizophrenia", as Roddick calls it, that saves them from becoming psychopaths.

The corporation itself may not so easily escape the psychopath diagnosis, however. Unlike the human beings who inhabit it, the corporation is singularly self-interested and unable to feel genuine concern for others in any context. Not surprisingly, then, when we asked Dr Hare to apply his diagnostic checklist of psychopathic traits to the corporation's institutional character, he found there was a close match. The corporation is irresponsible, Dr Hare said, because "in an attempt to satisfy the corporate goal, everybody else is put at risk". Corporations try to "manipulate everything, including public opinion", and they are grandiose, always insisting "that we're number one, we're the best".

A lack of empathy and asocial tendencies are also key characteristics of the corporation, says Hare - "their behaviour indicates they don't really concern themselves with their victims"; and corporations often refuse to accept responsibility for their own actions and are unable to feel remorse: "if [corporations] get caught [breaking the law], they pay big fines and they ... continue doing what they did before anyway. And in fact in many cases the fines and the penalties paid by the organisation are trivial compared to the profits that they rake in."

Finally, according to Dr Hare, corporations relate to others superficially - "their whole goal is to present themselves to the public in a way that is appealing to the public [but] in fact may not be representative of what the organisation is really like". Human psychopaths are notorious for their ability to use charm as a mask to hide their dangerously self-obsessed personalities. For corporations, social responsibility may play the same role. Through it they can present themselves as compassionate and concerned about others when, in fact, they lack the ability to care about anyone or anything but themselves.

Take the large and well-known energy company that once was a paragon of social responsibility and corporate philanthropy. Each year the company produced a Corporate Responsibility Annual Report; the most recent one, unfortunately its last, vowed to cut greenhouse-gas emissions and support multilateral agreements to help stop climate change. The company pledged further to put human rights, the environment, health and safety issues, biodiversity, indigenous rights, and transparency at the core of its business operations, and it created a well-staffed corporate social responsibility task force to monitor and implement its social responsibility programs. The company boasted of its development of alternative energy sources and the fact it had helped start the Business Council for Sustainable Energy. It apologised for a 29,000-barrel oil spill in South America, promised it would never happen again, and reported that it had formed partnerships with environmental NGOs to help monitor its operations. It described the generous support it had provided communities in the cities where it operated, funding arts organisations, museums, educational institutions, environmental groups, and various causes throughout the world. The company, which was consistently ranked as one of the best places to work in America, strongly promoted diversity in the workplace. "We believe", said the report, "that corporate leadership should set the example for community service".

Unfortunately, this paragon of corporate social responsibility, Enron, was unable to continue its good works after it collapsed under the weight of its executives' greed, hubris, and criminality. Enron's story shows just how wide a gap can exist between a company's cleverly crafted do-gooder image and its actual operations and suggests, at a minimum, that skepticism about corporate social responsibility is well warranted.

There is, however, a larger lesson to be drawn from Enron's demise in that the underlying reasons for its collapse can be traced to characteristics common to all corporations: obsession with profits and share prices, greed, lack of concern for others, and a penchant for breaking legal rules. These traits are, in turn, rooted in an institutional culture, the corporation's, that values self-interest and invalidates moral concern. No doubt Enron took such characteristics to their limits. It was not, however, unusual for the fact it had those characteristics in the first place. It was not, in other words, a "very isolated incident", as Pfizer's Hank McKinnell described it and as many commentators seem to believe, but rather a symptom of the corporation's flawed institutional character.

The Externalizing Machine

As a psychopathic creature, the corporation can neither recognise nor act upon moral reasons to refrain from harming others. Nothing in its legal makeup limits what it can do to others in pursuit of its selfish ends, and it is compelled to cause harm when the benefits of doing so outweigh the costs. Only pragmatic concern for its own interests and the laws of the land constrain the corporation's predatory instincts, and often that is not enough to stop it from destroying lives, damaging communities, and endangering the planet as a whole. Enron's implosion, and the corporate scandals that followed, were, ironically, violations of corporations' own self-interest, as it was shareholders, the very people - indeed, the only people - corporations are legally obliged to serve, who were chief among its victims. Far less exceptional in the world of the corporation are the routine and regular harms caused to others - workers, consumers, communities, the environment - by corporations' psychopathic tendencies. These tend to be viewed as inevitable and acceptable consequences of corporate activity - "externalities" in the coolly technical jargon of economics.

"An externality", says economist Milton Friedman, "is the effect of a transaction ... on a third party who has not consented to or played any role in the carrying out of that transaction". All the bad things that happen to people and the environment as a result of corporations' relentless and legally compelled pursuit of self-interest are thus neatly categorised by economists as externalities - literally, other people's problems. Friedman cites as a mundane example the case of a person whose shirt is dirtied by the smoke emissions from a power plant. That person pays a price - the cost of cleaning the dirty shirt and the inconvenience of wearing it - that flows directly from the power plant's operations. The corporation that owns the power plant, in turn, gains benefits by saving money through not building higher smokestacks, installing better filters, finding a less populated location in which to operate, or taking other costly measures that might avoid dirtying people's shirts.

Beyond the dirty shirt example, however, corporate externalities have "enormous effects on the world at large", as Friedman points out. Though they can be positive - jobs are created and useful products developed by corporations in pursuit of their self-interest - it is no exaggeration to say that the corporation's built-in compulsion to externalise its costs is at the root of many of the world's social and environmental ills.

Ray Anderson, founder and chairman of Interface, Inc, the world's largest commercial carpet manufacturer, had a late-career epiphany about the institution to which he had devoted his life. Until that moment, he says, he never "gave a thought to what we were taking from the earth or doing to the earth in the making of our products". Today, he believes, "the notion that we can take and take and take and take, waste and waste, and waste and waste, without consequences is driving the biosphere to destruction".

Anderson remembers the moment when his beliefs about the corporation shifted. It was the summer of 1994, and Interface Inc's customers had begun to inquire about what the company was doing for the environment. "We didn't have answers", recalls Anderson, "the real answer was 'Not very much'". Nonetheless he agreed to give a speech describing his own personal environmental vision.

The difficulty, Anderson quickly realised, was that "I didn't have an environmental vision ... I began to sweat", he recalls. Desperate for material and inspiration, he began to read a book about ecology. There he came across the phrase "the death of birth", a description of species extinction. "It was a point of a spear into my chest", he now recalls, "and I read on, and the spear went deeper, and it became an epiphanal experience, a total change of mindset for myself and a change of paradigm". "We're all sinners, we're all sinners", says Anderson today of his position as a corporate chief. "Someday people like me will end up in jail". But he now rejects as dangerously misguided the beliefs he once shared with the large majority of business leaders - "that nature is unlimited, the earth ... a limitless source for raw material, a limitless sink into which we can send our poisons and waste"; "that the relevant timeframe is my lifetime, maybe my working life, but certainly not more than my lifetime"; and that the market's invisible hand will take care of everything. The market alone cannot provide sufficient constraints on corporations' penchant to cause harm, Anderson now believes, because it is "blind to ... externalities, those costs that can be externalised and foisted off on somebody else".

All businesspeople understand that corporations are designed to externalise their costs. The corporation, is deliberately programmed, indeed legally compelled, to externalise costs without regard for the harm it may cause to people, communities, and the natural environment. Every cost it can unload onto someone else is a benefit to itself, a direct route to profit. From Bhopal and the Exxon Valdez to epidemic levels of worker injury and death and chronic destruction of the environment, this is the price we all pay for the corporation's flawed character.

In theory, corporations, and the executives who run them, are deterred by a system of regulatory laws from engaging in socially irresponsible behaviour. Like many other good theories, however, this one often has little to do with reality.

The Fair Labour Standards Act, to take just one example, is regularly and routinely violated by garment industry operators.

"Sweatshops were wiped out of the United States in 1938", says Charles Kernaghan director of the National Labor Committee, but "they are back now, with a vengeance. Sixty-five per cent of all apparel operations in New York City are sweatshops. Fifty thousand workers. Forty-five hundred factories out of seven thousand. And we're talking about workers getting a dollar or two an hour."
Los Angeles is no better. The southern end of the city houses America's, and perhaps the world's, largest concentration of garment sweatshops, staffed by some one hundred and sixty thousand workers, many of them illegal, and thus powerless, immigrants. There, a US Department of Labour survey found, "the overall level of compliance with the minimum wage, overtime and child labour requirements of the Fair Labour Standards Act is 33 per cent" - in other words, 67 per cent of the garment industry workplaces did not comply with the law.

Such systemic unlawfulness is not unique to the garment industry, however. Corporate illegalities are rife throughout the economy. Many major corporations engage in unlawful behaviour, and some are habitual offenders with records that would be the envy of even the most prolific human criminals. Take, for example, General Electric, the world's largest corporation and one of the most highly respected. A record, compiled by Multinational Monitor, of some of the company's major legal breaches between 1990 and 2001 is appended to the end of this essay.

The corporation's unique structure is largely to blame for the fact that illegalities are endemic in the corporate world. Shareholders cannot be held liable for the crimes committed by corporations because of limited liability, the sole purpose of which is to shield them from legal responsibility for corporations' actions. Directors are traditionally protected by the fact that they have no direct involvement with decisions that may lead to a corporation's committing a crime. Executives are protected by the law's unwillingness to find them liable for their companies' illegal actions unless they can be proven to have been "directing minds" behind those actions. Such proof is difficult if not impossible to produce in most cases, because corporate decisions normally result from numerous and diffuse individuals' inputs, and because courts tend to attribute conduct to the corporate "person" rather than to the actual people who run the corporations.

For a corporation, compliance with law, like everything else, is a matter of costs and benefits. "Again and again in America we have the problem that whether [corporations] obey the law or not is a matter of whether it's cost effective", says Robert Monks, former CEO and now campaigner for corporate reform. "If the chance of getting caught and the penalty are less than it costs to comply, our people think of it as being just a business decision". Executives, when deciding whether to comply with or break a law, "behave rationally and ... make cost effective decisions", says Monks, which means they ask, "What's the penalty, what's the probability of being caught, how much does that add up to, and how much does it cost to comply and which is bigger?"

The irony in all of this is that the corporation's mandate to pursue its own self-interest, itself a product of the law, actually propels corporations to break the law. No corporation is exempt from this built-in logic, not even those that claim they are socially responsible.

Democracy Limited

Anne Wexler is one of Washington, DC's top lobbyists, with a client list that includes major corporations, such as American Airlines, General Motors, and Roche, and an extensive network of contacts from her days at the helm of Bill Clinton's Office of Public Liaison. She was still gloating over a recent victory for one of her clients when I caught up with her for an interview. "Last night", she said, "the amendment which would have raised the [fuel efficiency standard] was defeated in the House ... that was a victory for the automobile industry, including our client". The industry feared the amendment would restrict the production of highly profitable gas-guzzling sport-utility vehicles and spent millions of dollars to help defeat it. Its lobby against the amendment was typical of corporate lobbying more generally. When corporations lobby governments, their usual goal is to avoid regulation. Sometimes they seek to stop governments from introducing new or stronger regulations (as the auto industry did with the fuel efficiency standard); other times they pressure governments to repeal, weaken, or narrow the scope of existing regulations (as Enron did with the regulation of energy futures trading).

Another significant change in corporate-government relations since the 1970s has been the expanded role and influence of corporate donations within the electoral system. As Anne Wexler puts it, "it's very hard [for a politician] to turn somebody down when they've given a hundred thousand dollars to [his or her] campaign. In terms of getting in the door and making your case, it's obviously easier". To cite just one example:

After donating more than a million dollars to congressional candidates, most of them Republicans, during the 2001 election cycle, Eli Lilly and Company found itself the beneficiary of a provision, buried in the Homeland Security Act, that protected thimerosal manufacturers - of which it is the only one - from lawsuits arising out of harm caused by the drug's use. Thimerosal is a mercury-based preservative used in children's vaccines that may be linked to the development of autism in children. The provision was eventually removed in response to public indignation and political pressure.

Indeed, from the public's perspective, however, "We are", as Harvard's Joe Badaracco says, "evolving ... towards a system where corporations have an enormous and arguably disproportionate influence on our political system". Democracy requires, at a minimum, some measure of equality of opportunity to participate in the political process. Yet profound inequality is the result when corporations - huge concentrations of shareholder wealth - exercise the same rights as individuals within that process. Today, warns Robert Monks, we face a "situation of great precariousness"; we are "dangerously close to the co-optation of government by business". "Unless we are extremely attentive to the inclination of business to dominate government", he says, "it could well be that the institution [of government] will fade".

Yet many corporate insiders seem to believe they are performing a public service when they seek to influence the political process on behalf of the companies that employ them. "Educating people" is how Anne Wexler describes her work as a lobbyist for major corporations. "It is very difficult for a member of Congress, who is a very busy person, to understand what every issue is, every day", she says. "Our job ... is to be sure that the folks who are going to be making the decisions at least have an understanding of what the issues are".

Chris Komisarjevsky, CEO of public relations giant Burson-Marsteller, also believes his work, some of which is aimed at defeating proposed environmental and other public-interest regulations on behalf of corporate clients, serves an important public purpose: "What we do is based on the respect of an individual to have information put at their disposal and then make the right decision. ... It's the respect for the individual to make the right decision which I believe is at the root of communications and it is clearly at the root of the way Burson-Marsteller practices its business".

"I don't think it's unfair at all", continues Komisarjevsky about the claim that corporations have an unfair advantage in the political realm. "Everybody has the same opportunity to garner resources to share a point of view ... There are plenty of resources to help people share whatever their point of view is".

Yet where are the desperately needed countervailing lobbies to represent the interests of average citizens? Where are the millions of dollars acting in their interests? Alas, they are notably absent.

The beliefs shared by Wexler and Komisarjevsky, that lobbying and political donations are public services rather than undue influences over government are likely informed by a deeper belief about the proper relationship between business and government. Today, says Wexler, "corporations essentially feel that they're partners with government". It seems a compelling and innocuous idea - until you think about what it really means.

Partners should be equals. One partner should not wield power over the other, should not regulate the other, should not exert sovereignty over the other. Partners should share the same mission and the same goals. They should work together to solve problems and plan courses of action. Democracy, on the other hand, is necessarily hierarchical. It requires that the people, through the governments they elect, have sovereignty over corporations, not equality with them; that they have authority to decide what corporations can, cannot, and must do. If corporations and governments are indeed partners, we should be worried about the state of our democracy, for it means that government has effectively abdicated its sovereignty over the corporation. Today corporations stand next to, rather than under, democratic governments. Their leaders believe they have a legitimate role, as partners with government, in governing society.

By corollary, government is believed to have a less legitimate role in governing corporations. As stewards of the public interest, along with their government partners, corporations should be left free to regulate themselves - or at least that is the argument made by proponents of deregulation. Corporations can regulate themselves now, according to Douglas G Pinkham, president of the Washington, DC-based Public Affairs Council, and should be "given the freedom to deal with a concern [such as workers or the environment] in a constructive way that maybe doesn't involve government regulation, to create a voluntary code".

Yet business is all about taking advantage of circumstances. Deregulation thus rests upon the suspect premise that corporations will respect social and environmental interests without being compelled by government to do so. No one would seriously suggest that individuals should regulate themselves, that laws against murder, assault, and theft are unnecessary because people are socially responsible. Yet oddly, we are asked to believe that corporate persons - institutional psychopaths who lack any sense of moral conviction and who have the power and motivation to cause harm and devastation in the world - should be left free to govern themselves.