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The Coming Corporate Kingdom

David Korten, *When Corporations Rule the World*, Earthscan Publications, 120 Pentonville Road, London N1 9JN U.K., 1995. ISBN 1-85383-313-4. Reviewed by Richard Evanoff and Rick Wilcox.

David Korten's *When Corporations Rule the World* has become one of the most talked about books among environmentalists and social activists in recent times. It joins a growing list of titles (such as *Global Village or Global Pillage?* by Jeremy Brecher and *The Case Against the Global Economy* by Jerry Mander and Edward Goldsmith) that offer harsh but thoroughly documented critiques of the globalization of the economy and the role of transnational corporations in environmental degradation and social injustice.

Whereas corporate culture promises us a golden age of technological gadgetry and consumer marvels, Korten writes that "the things that most of us really want—a secure means of livelihood, a decent place to live, healthy and uncontaminated food to eat, good education and health care for our children, a clean and vital natural environment—seem to slip further from the grasp of most of the world's people with each passing day." (pp. 18-19)

Far from contributing to prosperity, the corporate agenda seeks to maximize profits by downsizing companies and shifting production to countries where wages are exploitively low, taxes are minimal, and environmental regulations are nonexistent. Small-scale producers who might provide alternative means of employment are also squeezed out. The result is a three-fold crisis of deepening poverty in both the first and third worlds; social disintegration in the form of growing crime, drug abuse, divorce, and suicide rates; and environmental destruction on a truly global scale.

There are two especially compelling features of Korten's analysis. The first is that he substantiates his central claims with an enormous wealth of data. Here's a sampling: the richest 20 percent of people in the world currently receive 82.7 percent of total world income while the poorest 20 percent receive only 1.4 percent. In 1950 the average income of the top 20 percent was 30 times that of the poorest 20 percent; by 1989 the figure was 60 times. In other words, despite forty years of intense efforts aimed at third-world "development" the gap between North and South has actually doubled.

The discrepancy is easily explained once it is observed that mainstream development policies are intentionally designed to benefit rich elites in both the first and third world while simultaneously reducing living standards among the middle and lower classes. Korten argues that it is ultimately meaningless to divide the world into North and South: "As economic globalization progresses, we find growing islands of great wealth in poor countries and growing seas of poverty in rich countries." (p. 114) Divisions of wealth fall more along class, rather than geographic, lines. In the United States, for example, the top 1 percent of the population make the same amount of income as the lowest 40 percent.

In an age when corporations are restructuring and laying off workers by the thousands, corporate executives are raking it in. Thomas F. Frist, Jr., received \$127

million in 1992—780,000 times the per capita income of the poorest 20 percent of the world's population. The four hundred richest people in America are worth as much as the 1991 combined gross national products of India, Bangladesh, Sri Lanka, and Nepal where one billion people live.

Closing down production facilities in the first world and reopening them in developing countries undoubtedly reduces costs for transnational corporations and enriches elites. Korten exposes the myth, however, that overseas investment improves the lot of the poor. A pair of Nike shoes sells for \$73 to \$135 in the U.S. but they cost just \$5.60 to make in Indonesia. The \$20 million basketball star Michael Jordan received in 1992 for helping to promote the shoes was more than the entire annual payroll of the Indonesian workers who actually produced them. Wages for the mostly young and female workers run as low as 15 cents an hour.

Korten writes, "The workers are housed in company barracks, there are no unions, overtime is often mandatory, and if there is a strike, the military may be called to break it up." (p. 111) The combination of exploitive working conditions and global "free trade" policies leads to competitive pressure which also drives down wages and benefits in first-world countries. Workers in both the North and the South are engaged in what Korten describes as a "race to the bottom."

Readers in Asia who may be inclined to think that such problems are confined to the "decadent West" fail to realize the extent to which the global market forces all of its participants to play by the same unjust rules. Economic imperialism can be engaged in just as ruthlessly by Asian countries as it can by the countries in the West. Korten notes that Japan, for example, has increasingly pursued a path of aid, foreign investment, and trade in order to maintain its powerful position in the global economy. According to Walden Bello, whom Korten quotes, Japan poured 60 billion dollars worth of foreign investments into the Asian economy between 1988 and 1993—the most money ever expended for investment purposes in history. Korten notes how Japanese companies are quite at ease extracting resources from abroad, processing them in the foreign country, and then importing the finished products for consumption back home.

Korten offers the example of the Philippine Associated Smelting and Refining Corporation to demonstrate how the system works. The plant was financed and constructed by Japanese capital for the purpose of producing high-grade copper cathodes for shipment to Japan. Four hundred acres of land were expropriated by the Philippine government for the project. Local residents were not only displaced from their land but pollution from the plant led to contaminated water supplies, reductions in fishing and agriculture, forest damage, and an increase in respiratory diseases. Although the plant has destroyed the traditional livelihoods of the people, impaired their health, and offered them only occasional employment doing the most dangerous jobs, the company itself has prospered. Meanwhile, Korten writes, "the Japanese are congratulating themselves for the cleanliness of their domestic environment and their generous assistance to the poor of the Philippines." (p. 32) Korten notes that this is but one case among thousands and, of course, that countries other than Japan are equally implicated in "corporate colonialism."

The second compelling feature of Korten's work is the fact that he argues from a conservative rather than a liberal or radical political perspective. Korten's credentials include a Ph.D. from the Stanford Business School, five and a half years on the faculty of the Harvard University Graduate School of Business, 14 years with the Ford Foundation,

and eight years as senior advisor for the U.S. Agency for International Development (USAID).

It was precisely this “insider” experience which led Korten to the conclusion that mainstream development projects primarily serve to enrich industrial oligarchies while passing the social, economic, and environmental costs on to the average citizen. Korten subsequently founded and is now president of The People-Centered Development Forum, an international group dedicated to the creation of just and sustainable societies through voluntary citizen action.

The alternative offered by Korten is decidedly local, decentralized, and grass roots: “[R]eal development cannot be purchased with foreign aid monies. Development depends on people’s ability to gain control of and use effectively the real resources of their localities—land, water, labor, technology and ingenuity and motivation—to meet their own needs. Yet most development interventions transfer control of local resources to ever larger and more centralized institutions that are unaccountable to local people and unresponsive to their needs.” (page 5)

Korten argues that modern corporations have perverted both Western democratic principles and Adam Smith’s original theory of capitalism to serve their own new “free market” ideology. Whereas traditional market economics advocated small, competitive farms and shops operating in a system intended to benefit everyone, modern “free market” ideology has become merely an excuse for large-scale corporations to aggrandize power and wealth. Corporations often merge into oligarchic tyrannies which tenaciously hold on to their status as private enterprises and argue against any form of government interference but at the same time draw on vast public subsidies to maintain their operations.

Korten, a real conservative who distrusts large institutions yet believes in the validity of (Adam Smith’s conception of) the market, shows that modern economics is no longer the value-free social science it was once purported to be. Rather, it has become simply a rationalization of free market ideology. Market liberals contribute to corporate power by advocating the freedom of corporations to do whatever they want provided that everyone plays by the same rules. The result is that decisions about health, working conditions, and the environment are increasingly being made on the basis of economic factors alone rather than on the basis of informed political debate.

Korten carefully outlines the development of the corporate libertarian philosophy that took off after World War II within organizations such as the Council on Foreign Relations, a private-interest think tank which exerted great influence over U.S. State Department policies. The intention was to create a world order with the U.S. in charge both politically and economically. Other nations, including Japan, were eventually permitted to enter the inner circle with the creation of the Trilateral Commission in 1972.

Elite institutions, such as the IMF, the World Bank, and now the World Trade Organization, continue to carry out the policies of global capitalism under the guise of creating a “new world order” based on economic prosperity for all. In fact, the system is designed to serve primarily corporate interests, with little or no democratic input from labor advocates, social justice activists, environmentalists, or even ordinary citizens.

Korten believes in democratic pluralism and criticizes the Soviet model for allowing too much state power. He asks, however, why, with the collapse of the Soviet Union, the world has chosen the opposite path: the hegemony of the corporate state.

A significant part of Korten's book is devoted to tracing the history of corporations, from their origins in sixteenth and seventeenth century Western colonialism to their present status as the "dominant governance institutions on the planet" (the largest TNCs enjoy more wealth and power than most countries). In England corporate charters were originally granted by the crown to upper-class individuals so that enterprises such as the East India Company could undertake risky profit-seeking ventures abroad while minimizing personal risks. The charter specified both the rights and obligations of the corporations and could be withdrawn by the crown at any time. The subsequent history of charters, however, has largely been one in which corporations have sought to expand their rights while simultaneously reducing their obligations.

Corporations were viewed with much suspicion by the founders of the United States and efforts were made to subordinate them to the will of the government. The American Civil War, however, allowed corporations to expand both their influence and profits by providing arms for the war effort. The seeds were thus sown for the robber barons of the late nineteenth century to take over the economy and, in effect, subordinate the government to the will of the corporations.

It was during this period that laws were passed giving corporations rights which had previously been enjoyed only by individual citizens. In 1886 the Supreme Court ruled that corporations were "natural persons," and thereby entitled to the same protection enjoyed by citizens under the Bill of Rights, including the right to free speech. These "rights" were subsequently used by corporations to influence the political process and thus shape societies to their own interests.

In his final chapter Korten offers a number of specific proposals for curbing the power of corporations. There are too many to list here but they include efforts to expand anti-trust legislation (breaking up large companies into smaller units), to promote community financing and worker- and community-owned businesses, and to impose legal restrictions on the ability of corporations to influence public opinion through advertising and political lobbying. Free speech should be guaranteed only to individuals, not to corporations.

The key idea is for the public to regain democratic control over transnational corporations. In the context of global "free trade" it is increasingly difficult for governments to hold corporations accountable for their actions. Trade rules set by the WTO essentially undermine the sovereign power of governments, and hence of citizens, to enforce appropriate health, safety, labor, and environmental standards.

Korten proposes that a legal principle be established which regards corporations as "public bodies created to serve public needs." Corporations should enjoy only those privileges which are specifically extended to them in their charters. Corporate charters should be revocable through popular referendums or legislative action.

"If a corporation persistently seeks to exceed the privileges granted by its charter—such as knowingly selling defective products—or fails to honor its obligations under the law—such as consistently violating laws regarding toxic dumping—it is the right and responsibility of citizens, acting through their government, to disband it." (p. 308) If individuals can be tried and incarcerated for criminal activity, why not corporations?

When Corporations Rule is the World is the kind of book that can be read profitably by both radicals and conservatives. Radicals will love it because of the

convincing case it makes against global capital. Conservatives will love it because the alternative Korten proposes is as critical of big government as it is of big business. Spread the word about this book. Let the world know before corporations not only rule but destroy the world.