Inherent Rules of Corporate Behavior

based on an Jerry Mander's ideas from In the Absence of the Sacred

#2 in a series of primers on corporations and democracy from *ReclaimDemocracy.org*

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ReclaimDemocracy.org is a non-profit (501c3) educational organization working to inspire revocation of illegitimate corporate power and revive grassroots democracy.

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By now every thinking person has discarded the notion that corporate wrongdoing is rooted primarily in unethical behavior among executives. But the myopic focus on accounting issues and Wall Street remains, threatening to misdirect our attention from the real source of corporate harms: the very structure of the modern corporation and the laws that govern it.

In his 1991 book, *In the Absence of the Sacred*, writer Jerry Mander included a self-descriptive list, "Eleven Inherent Rules of Corporate Behavior." His insights have never been more timely, as they illustrate the severe limitations of "corporate responsibility" and illustrate the essential truth that corporations must be redefined and subordinated to democracy, not merely regulated or pleaded with to do the right thing.

These "rules" don't distinguish between publicly-traded and privately-owned corporations. To a degree, privately-held companies are more easily guided by individual standards of morality, but competition eventually will pressure all but community-serving or small-niche businesses toward similar behavior. Taken together, these rules make a compelling case that many of the most destructive corporate impacts on our society and environment are necessitated by the form and power that we have permitted corporations to assume. Primary among the rules are:

The Profit Imperative

Because maximizing return to shareholders is legally required of corporate officers, profit must be the ultimate measure of all corporate decisions. Profit necessarily takes precedence over community well-being, worker safety, public health, peace, environmental preservation, and national security.

The primacy of profit over ethics may have moderately destructive impacts, as with Enron's manipulation of electricity markets to maximize profit on the backs of California citizens. In other instances, it can mean the deaths of many innocent people, as when Ford and Firestone executives continued selling a product combination that they knew was killing many of their customers, while withholding the danger from the public. Their decision stemmed from a "rational" cost-benefit analysis which indicated that settling lawsuits resulting from fatal accidents was less costly than a recall.

If you were to knowingly withhold such information when selling your personal vehicle, you could be convicted of manslaughter in the event of a fatality; yet those executives will never see the inside of a prison cell because they effectively enjoy corporate immunity.

In both of these examples, the natural human reaction is outrage toward the decision-makers, but we should work past our visceral response. A thoughtful analysis that recognizes the profit imperative tells us that we can best prevent future harm by focusing on restoring citizen control over corporations systemically, not tackling one offender or harm at a time.

Consider this: the much-publicized financial fraud cases have occurred in (by far) the most highly scrutinized and regulated realm of corporate behavior. What might be unearthed if we adequately staffed and funded investigations into other areas where the profit imperative has more serious consequences, such as violations of workplace safety or compliance with laws to keep our drinking water and air free of toxins?

The Growth Imperative

Corporations live or die by whether they grow. For a publicly-traded corporation, there is no such thing as "big enough." The growth imperative fuels the corporate drive to continually pursue new resources and markets around the world. As natural resources are depleted, new frontiers continually are sought. The effects of this imperative are visible now, as more of the world's few remaining pristine places are targeted for commercial exploitation.

Corporate planners relentlessly lure "less-developed societies" into the global corporate economy to tap new sources of consumers and cheap labor while institutions like the World Trade Organization and International Monetary Fund supplement enticements with coercive power.

Corporations generate propaganda, claiming that global corporatization (promoted as "free trade") raises living standards. But this story is contradicted by global economic data (documented extensively by the Center for Economic and Policy Research: CEPR.net), which demonstrate that corporate colonialism--the siphoning of profit from the country or region of production--is having a debilitating impact on many developing countries.

Structural Amorality

Corporations are artificial creations, shielded from obligations of personal morality and responsibility by their very design. As a result, decisions that may be antithetical to community interests, workers' welfare, or public and environmental health are made without risk of personal liability. Furthermore, having no real commitment to a particular locale, corporations can relocate easily to escape taxes, unionized employees, and environmental protection laws.

In light of growing public awareness and resistance to environmental and societal harm, more corporations are seeking to veil their amorality and appear altruistic. This practice of "greenwashing" is intended to coax more people to buy their products, services or stock, but if corporate benefits do not accrue, altruistic poses are dropped. For example, when Exxon Corporation executives realized that their spending to mitigate damage to Alaskan shores after the Valdez oil spill was not swaying public opinion enough to benefit the company's bottom line, they dropped the pretense of moral obligation and stopped the cleanup.

Quantification

Corporations require subjective values to be translated into objective quantities that are easily tallied on balance sheets. Forests, for example, are valued only in terms of "board feet." Their immense value in sustaining life or providing clean water and spiritual nourishment goes uncounted. This carries over to government institutions that are heavily influenced by industry; hence the U.S. Forest Service considers trees worth thousands of dollars to timber companies as economically worthless unless they are cut down.

Such accounting without human values allows corporate cost/benefit analyses to be the measuring stick for many public health policies. The resulting policy of "risk-assessment" inflicts sickness and death from easily preventable pollution or toxic pesticides to avoid the "excessive" costs of healthier alternatives.

Corporate political powers succeeded in pushing Congress to effectively abandon the Precautionary Principle (addressing or preventing probable health hazards proactively, rather than waiting for definitive scientific proof of public harm) when it repealed the Delaney Amendment in 1996. *Delaney* simply required that our food be free of proven carcinogens.

Exploitation & Homogenization

Corporate profit depends not only on minimizing employee compensation but also on shifting costs created by business onto society as a whole, commonly called externalization. We all foot the bill for such externalized costs of pollution, illness, health care, public infrastructure to support corporate expansion, and much more.

Corporate employees often are dehumanized--seen as replaceable parts in a machine. For managers in the corporate workplace, personal morality must not interfere with profit-based decisionmaking, though these decisions often carry deep personal, community, or environmental consequences. A CEO who resists moving a factory overseas to evade environmental regulations or refuses to cut workers' pay soon will be replaced if these actions result in an unexploited opportunity for profit.

Corporations have a tremendous stake in fostering homogeneous consumers and conformity. Consumption accelerates as more people believe that certain commodities bring material satisfaction. Inner satisfaction, self-sufficiency, and contentment in nature are subversive to corporate goals. As transnational chains increasingly dominate commerce, native societies are pressured to give up their traditional ways and join the corporate global culture--uniqueness is gradually vanquished.

Lack of Limitations

Our country's founders and many subsequent generations recognized the danger in allowing corporations to grow in size and power. Corporations initially were given a limited lifespan, barred from engaging in any activity not expressly permitted, and relegated to a narrow range of permissible actions. Corporations were deemed appropriate tools to serve a public benefit through engaging in commerce but were fully subordinate to democracy and prohibited from legally attempting to influence elections, education, public policy, and other realms of civic society.

But it's easy to forget lessons not learned through personal experience. For more than a century, we have permitted corporations to elude democratic control and escape our limitations on their lifespan, size, and activities. We have yielded to them immense power to weaken citizen sovereignty over business and to shape our laws and government.

As a result of vast political power, the majority of harms caused by corporations are perfectly legal, rendering even rigorous enforcement of the laws governing corporate actions inadequate. Banishing corporations from political participation is a necessary first step to reclaiming our democracy.

We must abandon the absurd notion that corporations can reform themselves. Such notions deceive and distract us from our fundamental work. This does not mean we should fail to support the efforts of those working to improve corporate actions from within; but merely asking for greater "corporate responsibility" makes little more sense than asking a bulldozer to act responsibly.

Even *Business Ethics* magazine founder Marjorie Kelly now writes “it won’t be enough to rely on voluntary initiatives, codes of conduct, enlightened leadership...we must change the fundamental governing framework for all corporations in law.”

It is *We the People* who must be responsible, as we have not been for over 100 years, and relegate corporations to their proper role--a tool for serving the public interest. Only by disillusioning ourselves can we hope to see the roots of our problems and recognize our responsibility: to restore our *authority* over corporations as citizens and re-program the machine.

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