MY APPROACH

The thoughts in this work represent the theoretical and conceptual issues, but the reader can quickly begin to fill in the applied implications—something I do in my own practice and illustrate briefly throughout. Although I wish to start with a rather new framework for thinking about corporations in society in order to make present difficulties clearer and give direction for developing more democracy, the directions I suggest do not always call for a total overhaul of corporations or the invention of a new workplace like Saturn Corporation. Often a set of rather small continuous innovations can have large systemic effects.

Corporations are like glaciers. The decisions that have the greatest effect on a society are not big ones like the savings and loan problem, which mobilizes attention and about which information can be acquired. They occur in the little day-to-day decisions on the shop floor, in the choice of accounting practices, in innumerable locations. The effect is slow and invisible, but systematic. In day-to-day practices constitutive forces are subtle and powerful; the processes of consent and conflict suppression are most natural and difficult to critique. In larger and identified conflicts the politics are clearer, and so, too, the means of intervention. Corporations are what they are today largely because of day-to-day practical responses to internal and external contingencies. Although these have rarely arisen by design or foresight, they are value-laden and have had a directional effect. Changing the way we make day-to-day responses is what is of most interest here. Some people, some of the time, doing some things differently, can make a difference.

Worker involvement and participation plans are not simply a fad of the past decade; they have been around since the beginning of the industrial revolution and are the standard way of operating in many countries. Active community involvement in corporate planning is common in many western industrialized countries. Broad-based stakeholder participation has been used in "search" and "future" conferences since the early 1960s in a variety of companies throughout the world (see Weisboro, 1992). Rather than starting anew, I think we can borrow and learn from these projects. A stronger set of initial conceptions can allow us to account better for where they have succeeded and failed, and to focus our energies for the future.

Chapter Two

What Went Wrong?

In 1991, Donald Barlett and John Steele wrote a series of essays for the *Philadelphia Inquirer* trying to answer the question that plagued America, "What went wrong?" The popularity of the series was immediate leading to republication (Bartlett & Steele, 1992). Although clearly the attention was partly a result of the prolonged economic recession and growing private and public debt, the issue runs deeper, if not always so saliently for Americans. Although it makes little sense spending time sorting the world into villains and victims, understanding our difficulties and how our current systems for making decisions in corporations contributed to them is the first step in making the dramatic changes necessary for our continued health and development.

When I graduated from college in 1970, I, like others, expected growing leisure, rising standards of living, gradual reduction of poverty and illiteracy, greater care of the environment, and the national attention to a host of social ills. By the end of the 1970s we were disillusioned. By the end of the 1980s leisure had declined over 40%; the real standard of living had decreased (even now with two-income families); poverty and illiteracy were at an all time high; the material infrastructure (private manufacturing capacity and public bridges, water works, housing) was

substantially eroded; and problems with drugs, crime, environment, and health care were out of control. We were working harder for less, despite technological and production process improvements.

Both private individual choices and the national government took the blame. We blamed every disadvantaged group we could think of and screamed about 2% and 3% increases in taxes. But the big changes went by unnoticed and the business decisions creating these changes slipped by without critical attention. In fact, the popular legitimacy given to corporate management increased during this time. As we entered the 1990s, although the criticisms were not focused, Barlett and Steele were hardly the first to show that corporate decision making was part and parcel of the long-term underlying problems. As we move through the mid-1990s and larger numbers of managerial and technical groups feel the pinch—as the private social contract trading compliance and loyalty for economic security is repeatedly broken—more and more people seem ready to examine seriously our ways of doing business and the ways their personal lives are affected.

Similar concerns have emerged throughout the economically advanced world. Workers, social welfare, and governments of different persuasions have taken the blame, but what is really common to all is a way of making business decisions that does not work. Owing to the lack of counterbalancing forces, the problems with the way business decisions are made are bigger and more easily seen with transnational corporations in a fast-paced global economy.

THE DECLINE IN CORPORATE SOCIAL RESPONSIBILITY

Corporate officials have always pursued their own and corporate economic interest with some awareness of responsibility to the host society. Generally corporations have avoided outright profiteering, they have tried to produce high-quality and socially positive goods and services even when others might be more profitable, and they have been supportive of other social institutions such as the church, education, family, and community.

The reasons for these value-laden "moral" choices combined a sense of long-term economic good and genteel social responsibility with the desire for good public relations, fear of private competition, or a vague remembrance of the problem of killing the golden goose. Clearly, people really do care who they buy from. If you mistreat a stakeholder, people will take their business, labor, or money elsewhere; commerce doesn't work in a destroyed society. Voluntary compliance with conceptions of social good and legitimate economic gain was generally

considered to be both right and good business. And further, if intrinsic moral feelings or long-term economic balance sheets did not lead to compliance, the fear of governmental intervention, force from potentially competitive institutions such as the press, the church, or the academy, or the mobilization of stakeholders such as stockholders, labor groups, or consumer groups would tend to bring leading officials into line.

But the rules changed. Sporting a basic attitude that could only be adequately represented as "wanting to book first class on the Titanic," managers in the 1980s emerged without a strong sense of social responsibility. Some decried a declining society and decided to get what they could. Others carried ideological commitments that blinded them to what was happening. And many a good person was swept along in a management process in which few options seemed available. If you did not do it, someone else would. Whatever the motives, the effects were clear. The long term was forgotten for the sake of the short term; public growth gave way to private gain. Reich (1991) (now Secretary of Labor) well described the emergence of a "purer form of capitalism, practiced globally by managers who are more distant, more economically driven—in essence more coldly rational in their decisions, having shed the old affiliations with people and place" (p. 77). But even the proclaimed presence of this new "rationality" often hides the value-laden and personally interested rationalities that invade managers' decisions—economically rational for whom and in regard to what? It is not just their coldness and distance, but their rationality that must be questioned. It was not a purer capitalism, but a more contrived and distorted one.

As the government, community, and family became more subservient to, rather than competitive with, the commercial world, social responsibility became less an element in the direction of corporate development. A new type of self-interested manager could thrive in a complex, interdependent, and fast-changing environment, which makes the prediction of consequences for decisions, as well as the fixing of blame, virtually impossible. In such a world upper managers could live like royalty and be treated to the celebrity status of rock stars and sports figures, while the economic prospects of companies and most Americans declined. In such a world, get-rich schemes and the lottery, rather than smarts and work, became the tickets to success for the average person.

Executive salaries went out of sight even in failing businesses. From 1977 to 1989, over one half the additional income that was generated went to the upper 1% of income earners, whereas the number of people who worked full time and still fell below the poverty line climbed by an embarrassing 43%. Never before in the history of the U.S. had there been such a massive income redistribution. Even a small

governmentally sponsored redistribution to the poor would have been tenaciously fought. The vast majority of Americans, and people everywhere, were "taxed" without representation, all for the benefit of an emerging elite.

The delicate balance between the negative extremes—of capitalism running astray or the overintrusion of social/moral values into corporate decision making—was in trouble. Each side blamed the other. The "bottom liners" blamed the environmentalists, feminists, minorities, unions, and government for excessive demands and restrictions. And the "social consciousness" blamed the corporation for undermining the urban areas, fostering work practices detrimental to families and communities, massive redistribution of income to the wealthy, and for creating environmental havoc. They were both right, but in many ways misguided. The "bottom liners" failed to understand the social contract, "we will leave you alone as long as you voluntarily accomplish self-interests while upholding social values." The "social consciousness" failed to understand the difficulty of running a business from the outside.

The voluntary compliance of business with basic social values is no less critical to a society than the voluntary compliance of citizens with the laws of the land. In fact, no society can operate without considerable voluntary compliance. Societies understand this; therefore, they try to inculcate values in youth, rather than simply hiring police. When compliance breaks down, hiring more police is the first obvious solution, but is a costly one in the long term. The ideal solution requires transforming the values inside the corporations, rather than trying to enforce them from the outside. The primary questions will be: "Whose values should count for how much?" and "How shall we resolve value differences?" If we can tackle these issues, we can greatly increase the productivity of our corporations in fulfilling diverse social goals and keep them more economically viable in the long run.

Many within the corporate world have resisted detailed consideration of social responsibility. They have argued emphatically that their job is to not to do good but to do good business. Peter Drucker has become the most visible advocate of the current sophisticated version of such a position. Drucker's (1992) position is simple. Although social values and responsibility are nice when economically feasible, they are external to the real responsibility of corporations. Rather than supporting community values, Drucker argues that corporate choices are always destabilizing to community life styles and values, and should be. The argument is a popular and powerful one, but fundamentally flawed.

First, he, like many, strategically equates the notion of values

and community with traditional values and an antiprogress sentiment. In contrast, I believe that concerns regarding the community and social good are more properly thought of in terms of the goals pursued for the future; progress in regard to what? Corporate action, as well as any material or technological development, may be destabilizing, but toward what and for whose benefit?

Second, such arguments are based on an overly simplistic conception of "purely" economic decision making. Corporate decisions are rarely simply economically rational. "Economic" decisions are made under conditions of limited information regarding outcomes; rationality is always "bounded" with considerable uncertainty as to the facts and their relations. Decisional premises based on shared values by leading corporate officers always fill the gap between what is known and the need for a decision (Child, 1972). As expected, in increasingly fast-moving situations, not only does the amount of uncertainty increase, but more and more often the decisional premises err on the side of maintaining managers' over other stakeholders' interests. The question is not whether values should be considered, but whose values.

Further, profitability as the primary measure of economic success is often a highly distorted economic indicator. If we think more broadly about economic success, the balance sheet of corporations looks different, and the interconnection to social responsibility is greater. If growth in number of employees, number of new products, improvements in work processes, quality of jobs, or average pay of workers were considered as seriously as short-term profitability, we would think differently about the economic quality of particular decisions within corporations. A closer look shows that not only have corporations often not done the good, they have often not done good business. And, importantly, the same reliance on strategy and control accounted for both failures.

THE ECONOMIC FAILURE OF CORPORATIONS

The economic decline in American companies in the 1980s was a direct result of poor corporate decision making. Bad decisions had been made before, but competition was such that the quality of decisions did not matter as much. Bad decisions did not happen because managers were not smart, but because of the confusion of managerial interests with the corporation's interests. Because I spent some time developing the nature of this confusion in earlier work (1992, Chapter 9), here I only highlight the consequences.

Upward mobility and other managerial rewards are based on two primary factors; the ability to play the social-symbolic game of the organization, and the ability to increase profitability. The former often leads to conformity and mere game playing, and the latter to short-term financial maneuvering, usually expressed positively as cost containment. It is these factors that led the Japanese Prime Minister Kiichi Miyazawa in 1991 to identify properly a lack of work ethic in American companies. Although the press widely misrepresented his position as referring to American labor, his analysis carefully specified the quick payoff games of managers and the unwillingness to invest in the long-term health of the company or industry. This is a tough message to hear from an outsider, and the Japanese have their own problems, but long after the national posturing is over, the content of the message must be taken seriously.

We miss what is going on if we apply the same logic as used by managers to evaluating the success of our companies. For example, managers have largely attributed competitiveness problems to high labor costs, low work quality, and declining education achievement. But a moment's thought and considerable data show a different picture. Labor productivity increased at a regular rate comparable to that of other countries throughout the 1980s; management was the only significant group to decline in productivity in most industries (largely owing to exploding salaries and information technology investments). Many of the work quality problems were directly attributable to outdated equipment and production processes. The Japanese, for example, were reinvesting in their companies and especially in improving production processes. Further, the declines in education were almost all in nonoccupational areas. Schools, especially higher education, if anything, sacrificed basic knowledge for the sake of professional and occupational training. And perhaps more significantly, despite highly publicized problems in a few sectors, Americans at all levels of education have been consistently overqualified for the jobs they actually take.

Our workers did not lose our competitive edge. In areas in which work processes failed, workers had little control. When workers have been allowed to engage in quality control and shop-floor decisions, both quality and productivity have increased. Unfortunately, all too often when such programs have been started, the programs were strategically deployed to increase the ability of managers to control or to reclaim legitimacy for those in control. In these cases the benefits have been greatly diminished. Workers, however, have continued to do quite well, even working in environments filled with supervision characteristics consistently shown to hurt worker motivation and attention to quality. As Davis and Milbank of the *Wall Street Journal* (February 17, 1992) demonstrated, work alienation, from high-controlling management and minimal company commitment to the worker, far better accounts for instances of decline than laziness. In perhaps one of the best known cases, General Motors continued to lose market shares to other U.S. firms, as well as the Japanese owing to management's unwillingness to move to faster and better team design processes. And, although we lament the decline of education, the greater problem, as shown by Uchitelle (*New York Times*, September 6, 1992), has been the corporate failure to create good jobs.

We must be aware that our children have been reared in a society without adequate family leave policies, have attended schools with eroded tax bases as the share of American taxes paid by corporations has declined, and have been taught a life philosophy sponsored by the commercial sector, which stresses making money first and a life style of consumption both in and out of the school. Every segment of the society has had to bear the costs of the way we do business. Were we not heavily subsidizing our commercial sector through tax breaks and minimal charges for natural resource depletion and social and environmental effects? If they were asked to bare the full cost of their way of making decisions, even more businesses would fail economically, as well as socially.

We can continue to increase the public subsidization of business at the expense of our communities, our environment, and our children, or we can reconsider how decisions get made. The job will not be easy: Our plants have been milked, corporate debt liabilities from a decade of leveraged buyouts is at an all-time high, and the capital to create jobs has been transformed into paper stock market gains, but we must begin. We begin by acknowledging that managers have not been neutral coordinators of the various interests of corporate stakeholders, nor have they even been particularly good custodians of owner interests as proclaimed in traditional conservative ideology.

The problems arise from the self-interests that guide managerial decision making, and from a structure that allows those self-interests full sway. Although the media continue to repeat management's finger-pointing at other segments of the society, a serious debate has to begin with attention to the social-symbolic games of organizations and the use of short-term financial maneuvering to increase profitability. Long-term economic and social health is dependent on transforming these areas. The key to achieving this transformation is to develop systems that represent more diverse social interests. Ironically, changing these systems will probably improve the lives of managers who are themselves often trapped in these disastrous systems.

The Social-Symbolic Games that Determine Managerial Decisions

We as a society believe that to whatever extent possible, rewards should be commensurate with hard work and successful output. If someone is good at something and works hard, she or he will/should be successful. But, large corporations have always been filled with social-symbolic games that influence the advancement of particular managers. These games designate that part of decision making regarding personnel that is more determined by style and image than substantive accomplishment. In smaller companies and during periods of slow change, *substance* tends to rule over style and image, owing to the ability of a wide group of people to perceive the connection between a particular individual's contribution and its outcomes.

Increased size, complexity, interdependence, and rapidity of change in modern corporations make it increasingly difficult to determine the consequences of any individual's work effort. Rapid mobility means a manager can move up and on before the consequences of choices can be determined. In such circumstances the contrived stories, the image, the style, and the ability to play the game become more the determinants of personal success than hard work or quality of decisions. Jackell expressed well the questions posed in the workplace today:

> What, however, if men and women in the corporation no longer see success as necessarily connected to hard work? What becomes of the social morality of the corporation—the everyday rule-in-use that people play by—when there is thought to be no fixed or, one might say, objective standard of excellence to explain how and why winners are separated from also-rans, how and why some people succeed and others fail? What rules do people fashion to interact with one another when they feel that, instead of ability, talent, and dedicated service to an organization, politics, adroit talk, luck, connections, and self-promotion are the real sorters of people into sheep and goats. (1988, p. 3)

Jackell's studies suggest answers that are similar to those of other researchers and to managers themselves. Welcome to the "real" world. No one seems to disagree that the personally "successful" manager must play a lot of games, that these games transform moral decision making into mere expedient practical concerns, and that these games often arise out of dysfunctional codependent relations with the personal needs of higher level managers. Hundreds of corporate-sponsored training programs teach managers how to play these games. We have been far less careful in showing how these games lead to bad financial decisions and negative effects on other stakeholders.

Current research suggests that many "successful" managers spend over 50% of their time working on self-promotion activities. Although we have allowed this to happen with the belief that managerial pursuit of self-interest will magically align with corporate goals, the evidence has never supported either the inevitability or high frequency of this relation. Managerial self-interest pursuits can be brought in line, but often are not (see Culbert & McDonough, 1980). The question is one of accountability and systems of assessment, both of which are difficult in complex environments using current procedures and hierarchical control processes.

Short-Term Financial Decision Making

Short-term financial manipulations are the economic counterpart of these social-symbolic games. Long-term economic planning tends to favor continual reinvestment in the business, commitment to employee development, and goodwill relations with the community. The manager operates like the long-term gardener, adding compost to the soil each year not because it would make an appreciable difference in next year's crop, but in a recognition that, although the marginal gain in any one year would not justify the energy of composting, the long-term consequences of not doing it would be to have no garden at all. Modern managers and even shareholders do not act like owners but like one year—one-quarter—renters. Or perhaps a better metaphor comes from Reich (1993), who characterized managers who run companies as butchers rather than bakers.

Clearly there has been much talk recently of a longer term perspective, but existing evidence suggests little reason for optimism. Although some companies have pursued the long term, Charles Poirier and William Houser, both senior managers at major corporations, have argued that:

> The reality of the past decade's efforts is that American managers prefer a quick fix, often characterized by inevitable downsizing in personnel. They talk at length of the merits of a long-term orientation, of the importance of quality, a customer focus, and innovation as critical to success, of their willingness to adopt successful ideas, and the fact that people are their most important assets. Such talk has a hollow sound to the growing thousands of displaced people who decry the lack of any semblance of consistency in their former organizations, where the "survive-the-month" attitude was worshipped in deference to long-term success. With the continuance of consolidation actions in nearly every industry—along with the usually clever financing that greatly increases the need for new cash flow to cover interest payments—we can only predict this dilemma will get worse. (1993, p. 7)

The central problem remains. Manager interests are currently fostered by short-term decision making. This is not just the fault of individual managers. To the extent that the company is conceptualized in purely economic terms, the system operates in the short term. Accounting principles in most companies favor the short term, and if stock prices are used as a measure of company success, the rapid in and out strategies of institutional investors leave only the short term meaningful. The characteristics of the managers of institutional investment groups lead to responses less like those of real owners interested in the company health, and more like rogues, passing through grabbing what they can. Other stakeholders have longer term interests in the company. If companies are to be successful and national competitiveness maintained, basic approaches to management and other stakeholder interests must be changed. The conception of business must be changed. Long-term decision making has consequences for everyone.

For example, when competition increases or the general economy turns down, long-term versus short-term thinking suggests different strategies. From a long- term perspective this is a time to make changes and retrain. It is a time to increase debt, as interest rates tend to be low and capital investment a comparative bargain. Such actions collectively strengthen the general economy and position the company to enter the market with a better product and better trained workers. Short-term thinking favors acts of cost containment, as these are the only acts that can immediately affect the profitability picture.

In the early 1990s, many major companies responded to their declining returns with massive layoffs. When criticized, the reoccurring refrain was the familiar managerial business logic, "We either had to lay off workers, or the entire company would have gone under and no one would have had a job." Quite apart from the truth of the claim, this bipolar logic misses the genuine options, if the wider group of stakeholders were considered. The short-term change in the cost picture hides the longer-term failure to make decisions that continue to create jobs for employees. Rather than being praised for returning the company to profitability, short-term-thinking managers should be fired for not upholding their responsibility to the full company, the responsibility to create profitability by using the full resources of the company. The majority of internal corporate stakeholders, however, have little say in these critical decisions or in selection of managerial personnel. Further, the collective logic of short-term decision making worsens national economic cycles and creates a ripple of instabilities across the community. And, similarly, these external stakeholders have little say.

American corporations have not been hurt as much by foreign competition as by bad decisions, including takeover debts and failure to

produce desirable high-quality products. In the most visible case, German and Japanese automakers did not create problems for American companies because of cheap labor, harder work, or lower costs. They made a higher quality, more desirable product, whereas American companies failed to adjust to a changing market. U.S. auto makers returned to profitability in those instances in which they made a better product, not when their labor costs were less or workers worked harder than those in Japanese- or German-owned plants.

The question is who should pay for bad management—the worker, the community, stockholders, or managers themselves? Many different groups invest in a variety of ways in the company; which investments should be protected? And, central to this work, given this effect on all, who should participate in decision making and at what times and places? The continued attention to short-term balance sheets keeps upper managers employed and the value of the stocks they own high, but asks everyone else to pay for their mistakes. Reward systems that link lower level but not upper level pay to productivity are visible material evidence of a much more basic conceptual problem.

Everyone accepts that any manager will occasionally make mistakes and that managers should take risks. If our situation were one of occasional bad judgment, we should be charitable and supportive. But the failures have been systematic, and bad decisions for the company are often the consequent of decisions good for individual managers. Many of the same factors of speed and complexity that lead to game playing allow individual managers to benefit from short-term decision making.

The clearest case of this happens in what is called "milking" the plant. A "comer" is placed in charge of a unit. The easiest way to show quickly an increase in unit profitability is to implement cost containment measures. Often this includes nonreplacement of workers, reduced equipment maintenance, and inventory reduction. Especially in economic hard times, the means are overlooked and the manager is credited with being able to make the kind of hard decisions appropriate for promotion. Unfortunately, the self-interested manager is off somewhere else before the costs of such an approach become clear. Any subsequent manager trying to set it right does so at personal career risks, and plants are often closed due to the cost of repair and reinstatement. Obviously, such practices are explicitly discouraged, but the set-up of evaluation systems only assure that similar means will be done more subtly. The collapse of the conception of good economic decision making in favor of short-term decision making is both economically harmful to the company and to other stakeholders. Only upper managers and stock speculators gain.

As Reich (1993) showed in his analysis of managerial "butchers" and "bakers," the logic of "trim the fat" and going "lean and mean" has appeal, but has little data to support it as a useful strategy. Over three-quarters of the companies who have cut their payrolls failed to achieve their own expected results. Most have suffered significant long-term loses, the most obvious being the losses in employee morale, loyalty, and experience. "Employees fearful of getting the ax are hardly likely to pursue labor-saving innovations. Nor are they likely to volunteer that extra time and energy that so often make a difference in productivity" (p. 54). Even if fear can lead to the hoped-for behaviors in the short run, the sense of working scared and corporate betrayal have long-term negative consequences. But quite apart from morale and loyalty losses, cost cutting is a poor strategy if productivity gains are desired. In extensive econometric studies productivity gains are consistently shown as more likely to result from providing front-line workers with substantial authority, profit sharing, and retraining, than from downsizing. Are most upper managers unaware of such data, or are the maintenance of control systems and personal gain more important to them than the health of the companies for whom they work?

FAILED SOLUTIONS

The election of 1992 clearly suggested that the American public wanted to put an end to the social and economic malaise. Although the characters and ideology were different, this was 1980 all over again. The problem is that voters have little effect on the decisions that actually affect them. Like looking for the keys under the light rather than where you dropped them, the voters tried to influence what they could influence, rather than what really influences them. In the absence of a more meaningful response, we oscillate between two inadequate answers. "Voting with your pocketbook" and "more government" have been the conservative and liberal alternatives for the need for more public control of corporate decisions. Both approaches can make a difference with a focused public will, but both have had serious limitations.

Why the Marketplace Fails

The marketplace solution became the ideology of the 1980s. The simplicity of the concept has appeal and probably contributed to the survival of the concept despite its clear failings. If stakeholders are not happy with managerial decisions, they will eventually vote with their feet or dollars. If a dollar equals a vote and everything is either a cost or a resource expressed in monetary terms, then as long as corporations wish to be competitive, and managers employed, they will be responsive to public desires. If the public does not respond, then it gets the management it deserves. If this could work, we would not need to debate values or regulate choices, and the work process would not have to be actively participatory. The public would get what it is willing to pay for.

In the redefinitions implicit in this solution, social and political relations are reduced to economic relations, democracy is reduced to capitalism, and citizens are reduced to consumers. Each of these transformations entail a constraining of people's capacity to make decisions together and reduce potential human choices to choices already available in a system as controlled by others. Even if one accepts these reconceptions, the marketplace solution has conceptual and practical difficulties. As many have shown, free-market capitalism was never intended to represent the public well; it was intended to describe how to make a return on financial investment (see Polanyi, 1944; Kuttner, 1991). A few basic problems of using the market to represent stakeholder interests are readily apparent (see further, Schmookler, 1992; Gorz, 1987; Anderson, 1990).

First, because money is not equally distributed, "dollar voting" is a highly skewed representation process. Do we want a democracy with some people having many more votes than others? Second, not all things translate equally well into monetary terms, therefore they are not well represented. The more humanistic qualities of service and the jobs of many women are good examples. Third, hidden costs and longer term benefits get no expression. For example, long-term damage to the environment or people's skills are often either not represented, or the costs are absorbed by the community or the person, or no one may provide things that are only beneficial in the long run. The underpricing of all natural resources until they are nearly depleted is the most serious invisible social cost. Finally, the market is a weak and biased system of representation for a number of reasons. Market pricings and accounting practices are often carefully controlled by groups in power, and managers often choose personal gains over economically rational choices for the company. Mass advertising and information control inevitably distort "dollar voting" (e.g., vendor-driven sales dominate many industries, and who advocates non-product-centered health care?). In addition, choice in markets is directed only toward existing products with no assurance that the public can influence what is available in the future (e.g., who assures the development of desired but probably unprofitable drugs?).

An example of the inevitable distortion from market "representation" just occurred a few miles from my home, an example shared all over the country. A tree-lined country road is being transformed by the building of a strip mall. The strip mall was not chosen by community in any direct way, and it would have been hard for them to have stopped it even through noneconomic means. Would they have voted for another set of stores, including a pizza parlor, Chinese restaurant, video rental store, and dry cleaner, and for the reduction in the value of their homes if they had had a vote? And if they do vote with their feet, each store, like others at the local malls, will continually change hands and finally go bankrupt, with the community picking up the bill.

The problem with the economic vote is that all the costs are not charged to the one who made the money by developing the mall, and alternative uses were not available for the community to buy, even if a value could be assigned to trees, clean air, less traffic, or a 5-minute quicker drive home. Each member of the community may have been willing to pay 10 cents (if a price could be attached) a day to drive home on the tree-lined street, but they are not reimbursed for their environmental loss, nor do they have a way to pay their 10 cents to restore the road. The tax advantages for development, the bankruptcy laws, the concept of ownership, the loss of beauty, and the effects on surrounding environments may be able to be expressed politically in a democracy, but not economically in the system.

In some sense, economically the community did choose the strip mall in a system of small insignificant decisions. Whereas most would have preferred to drive a couple of miles more for the sake of the street, most accept the convenience of the new stores' placement and send the cost to the older mall up the road. Each member accepts the slightly higher prices resulting from the daily array of mail flyers designed to keep this store rather than that one going (and assure the loss of distant trees that we do not know). Each of the minor self-interested choices add up to a major choice against a people's will.

Certainly despite media confusion regarding Eastern Europe, a market economy does not equal a democracy, and a market economy cannot assure democratic representation. Market economies exist in many totalitarian societies; managed economies occur in many democracies. Moreover, a belief in market economy does not necessarily lead to an open market in which various peoples are fairly represented or to an unbiased market operation. The U.S. is hardly an open market economy. The market is highly controlled and planned, only it is done by corporate officers rather than elected representatives.

The myth of market economy is that competing self-interests

work themselves out for the benefit of all. Years ago Karl Polanyi (1944) showed how the conception of market economy reversed the relation of economic and social relations, making social relations subordinate to the presumed self-regulating market. As Kelly (1993) described the impact:

> What this meant was that human beings and the natural environment became "commodities," with no intrinsic worth, only a price set by the market. Thus everything in the world—all people, all the Earth's resources—were to be used by the market for one purpose only: to increase profits. (p. 6)

In such a representation system all competing human interests become reduced to economic interests, and economic interests become organized in the sole direction of payoffs for financial investors. The market has not provided an invisible hand, rather we have a selective, ideologically based, quite visible managerial hand, if we only look. Market economy does not equal democracy, but markets represent people better when decision processes are more democratic. Social relations must be reclaimed as more important than economic relations.

How Government Intervention Fails

Given the failure of the marketplace and management-centered decision making of the 1980s, much of the discussion of the mid-1990s has centered on the return of governmental intervention to protect the environment, create economic stability, protect disadvantaged groups, and stimulate appropriate growth. Although state political processes are significant, the primary solutions for our current situation cannot be found there. Although the relation of governmental interventions and corporate decisions are not to be developed in this work, a brief list of problems can show why state intervention provides little hope.

First, even though regulation and incentives can influence system choices, most significant choices will remain within corporations themselves. Even if they wanted to, governments cannot micromanage companies. Certainly, this has been clear in recent federal interventions in the banking system. The savings and loan fiasco is a good example of the general problem with business today. Bad decisions were made, the companies failed, the public paid the bill, and the managers walked away with bundles of money. Although on the heels of the public bailout few are willing to trust officers of the financial industry, no manager can make the type of necessary contingent decisions with a federal officer looking over his or her shoulder. As the guidelines and rule books thicken, the solution is little better than the problem. Regulation inevitably leads to a costly double bureaucracy—a public

one to establish guidelines and monitor compliance for public good, and a private one that struggles to keep up with the paper work and find loopholes and avoid regulation.

Second, government lacks both the popular legitimacy and capacity to make or require more proactive corporate choices. American ideology, the failure of significant public projects, corporate control of media, and government self-criticism all argue for a minimalist government. Not only is the government seen as corrupt and inefficient in contrast to private industry, but the public defines the government in a supportive rather than competitive role regarding business. Increasingly, the government is seen as appropriately supportive of managerial decision making under the guise of public economic well-being.

Election politics aid this relationship. Although governments make few of the decisions that create or end recessions, they are clearly held accountable for them. Consumers and managers make the decisions; the political party in power gets voted out. Only in relatively rare cases of economic dislocation has the government been able to direct development toward a proactive vision of the future. Companies have largely made the decisions, and the government has mopped up the problems. The growing problems of temporary workers is a good example. As companies increase flexibility and their cost picture by hiring temporary workers, the public is left with a growing price tag for retraining, health care, and other standard worker benefits. Profitability and legitimacy of business is advanced, but the government is seen as more and more costly, and hence inefficient. There is little reason to believe that the public understands this relationship.

Third, the competition among communities and nation states for business (and their jobs) lessens the capacity of political units to regulate corporate activities. For example, tough environmental standards virtually assure that some companies will move to places with fewer standards rather than clean up their work processes. This condition leads to a downward spiral, with communities lowering taxation and standards to compete with each other. The structure of competition assures that corporate financial interests dominate political discussions and decisions, without the business community having to coordinate activities or exert any specific political force. Domination is structural rather than chosen, intentional, or conspiratorial. Communities all over the United States have eroded tax bases as they compete with each other to lure or hold businesses. As communities tax individuals to make up for this, they continue to lose legitimacy and reinforce the impression that corporations are more efficient. Positions supported in political processes consistently lose to specific corporate interests.

The globalization of business relations run on a free trade, market economy basis makes the maintenance of social policy difficult in any country. At the least, all value-based policies become costs and reduce a nation's competitiveness. But in many cases like the European Union, the weakening of protection of workers and industries becomes an essential condition of membership. The argument is for economic rationalization, but the benefactors are those with particular economic rather than general social interests. Global economies weaken all state units.

Fourth, even what governmental regulatory policy remains is largely influenced by corporations. As Laumann and Knoke (1987) detailed, governmental action primarily rests in numerous agencies to which the public has limited access. Corporate leaders, in contrast, maintain long-term relations with agency officials relevant to their businesses, and corporations can mobilize immediate and effective leverage if decisions do not go their way. The cozy relations maintained between legislators and corporate supporters and the hiring of ex-legislative officials by leading corporations leaves neither Washington nor state capitals broadly representative of the public's interest.

Finally, public agencies do not have enough information soon enough to participate actively in corporate processes to make them more publicly accountable. No government has been able to plan effectively even a relatively simple society. Experience has taught that decision rules by governmental agents are rarely more moral or representative of the people than those made in most corporations.

Clearly, we will fail if we seek to regulate and direct from the outside. Public representation must be a part of the internal corporate decision process. But, if business itself does not begin to respond to the needs of a wider group of stakeholders, surely public bodies with all their problems will begin to step in. Recently, for example, an Ohio judge ruled that an auto parts plant could not be closed by the parent company, because the community had invested millions of dollars in roads, waste treatment, and other projects necessitated by the plant. Businesses tend not to be run well by judges, but the issue remains. How do we respond to this need?