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HAND-ME-DOWN DEMOCRACY: GROWING INEQUALITY IN AMERICA

A Dissertation

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the Temple University Graduate Board

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of the Requirements for the Degree

DOCTOR OF PHILOSOPHY

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by

Candice Lloyd

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ABSTRACT

HAND-ME-DOWN DEMOCRACY: GROWING INEQUALITY IN AMERICA

by Candice Lloyd

Doctor of Philosophy

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Major Advisor: Dr. Edmund Amidon

The purpose of this dissertation is to do a survey of the literature on workplace democracy to ascertain why many laws of the United States do not seem to apply within the workplace. This creates a plutocracy of monied interests within a government supposedly of the people, by the people and for the people. The ancient Athenians formulated an

idea of democracy based on the principle that the individual was the foundation of democracy. When the United States was founded, two schools of thought emerged. Thomas Jefferson believed in the Athenian ideal, as interpreted by John Locke, where individuals were created equal, while Hamilton and the Federalists believed in a centralized business model, dominated by wealthy commercial entities. During this period, Chief Justice John Marshall seized the new prerogative of constitutional interpretation for the Supreme Court. Since the Court was Federalist, this established a bias toward the rights of business over the individual that has persisted to the present day. A number of other events combined to move the country into the Hamiltonian camp, including the Industrial Revolution, the Civil War and the recognition of corporate "personhood" by the Supreme Court in its interpretation of the 14th amendment. These significant occurrences will be discussed as they relate to the developing military-industrial complex, the decades-long Cold War with its resulting fear of socialism, the development projects accelerating the spread democracy, the rise of managerialism as it led to the latest abuses of ethics in the workplace and the inherent problems in the capitalist system for the individual, the United States as an expanding empire and the larger world community. All these circumstances will be shown to have contributed to the deterioration of the Athenian conception of democracy that inspired the hopeful beginnings of the United States. Finally, some alternative ideas, though not solutions, are explored that follow the current practice to "think globally, but act locally," which, in the future, may actually turn out to be the only real solution to the problem of creating a government of the people, by the people and for the people.

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CHAPTER I

AN INTRODUCTION

"Think of a stretch limo in the potholed streets of New York City, where homeless beggars live. Inside the limo are the air-conditioned, postindustrial regions of North America, Europe, the Pacific Rim, parts of Latin America, and a few other spots, with their trade summitry and computer information highways. Outside is the rest of mankind, going in a completely different direction."

We are entering a bifurcated world. Part of the globe is inhabited by Hegel's and Fukuyama's Last Man, healthy, well fed and pampered by technology. The other, larger, part is inhabited by Hobbes's First Man, condemned to a life that is 'poor, nasty, brutish and short.' Although both parts will be threatened by environmental stress, the Last Man will be able to master it; the First Man will not.

Thomas F. Homer-Dixon, head of the Peace and Conflict Studies Program, University of Toronto, as quoted by Robert D. Kaplan

Today, many individuals in the Western World think that democracy is the best form of government. Based on the success of the United States in "winning" the cold war, having outspent and outlasted the opposition, they acknowledge America as the world's only superpower and the American system of government as the most successful form leading to commercial dominance as well. Even though some of these same individuals may envy the U.S., hate its imperialistic tendencies and scorn its major tilt toward commodification, it is clear that many governments still want to follow at least the capitalist way of life perfected in America, including the oft misperceived ideas of liberty and the increasingly rare immigrant success stories. The United States, as the world's only military superpower, is willing to comply with this perception by spreading the word of the free market as a relentless combination of democracy and the "liberty" to consume American products. This latter task is so important that our government will commit money, diplomatic and commercial personnel and even troops in our quest for plying the trade of empire. The free market needs ready access to consumers, but it is also necessarily accompanied by the attractive packaging of our form of government as well as a loan from the World Bank or any of the other international development programs, from the International Monetary Fund (IMF) to the World Trade Organization (WTO) and the General Agreement on Tariff and Trade (GATT).

Any of these world-wide agencies, largely under American dominance because we are the primary guarantor of funding, will help run a developing country our way and expect the people's gratitude as their way of life begins to disappear under pressure to open local markets (Freedman, 2000). Do these developing nations look favorably on the first great modern democracy in Western civilization, as the Founders of the United States looked back to the indirect guidance of the Athenians, the world's first democracy? This dissertation will attempt to clarify this connection as well as to identify the weaknesses and failures that occur when special interest groups, as exemplified by American multinational corporations or MNCs, exert undue control over the U.S. political system in a successful effort to achieve economic dominance. Workplace democracy in this environment occurs only rarely, though organizational consultants have studied it for decades, and there may be broader lessons to be learned from these experiences and observations.

The concepts underlying the simple word "democracy," streaming, splitting and dividing yet again, are some of the most abused and misconstrued ideas in history. The word democracy comes from two Greek words: a noun, demos, which means "people" and a verb, kratein, which means "to rule." Its colloquial meaning is government by the people or rule by the ruled. Since its origin is Greek, we must return to ancient Greece in order to find its true meaning, for the original etymology has mutated into a different creature than it displayed at its humble beginnings. The city-state of Athens, 5th century Athens to be precise, was the inventor and first practitioner of democracy. Democracy as a theory and actual system of government has therefore existed for some 2,500 years, with varying degrees of consistency between theory and practice (Manville, 2003).

According to the Athenian model, the source of constitutional power rested in the hands of all its citizens. Ideas were articulated directly through the Assembly, which consisted of all male citizens over 18 years of age who were willing to attend the ruling sessions held approximately every 10 days (Starr, 1990). There was no concept of representation that called for long campaigns and expensive elections. If a citizen lived in the country, it did require getting up at dawn to clamber to the meeting place of the Assembly, a rocky hillside within the city gates. Law enforcement officials chased all loiterers off the Agora, the public commons, in order to encourage attendance. Anyone who had a forceful enough voice to make himself heard by 6,000 or more voters could speak to the Assembly. If a citizen was a well-known and respected leader, his chances of being listened to were, of course, more likely, but anyone could lead the introduction and discussion of an idea. Whatever this Assembly decided by majority vote became the law of the city-state.

Athenian democracy worked reasonably well and the main reason for its success was the excellence of its well-informed citizenry. Decisions were not always liberal; while the condemnation of Socrates was a democratic act, it was not a liberal act, in the sense that it essentially stifled free speech. From the days of Solon, their first widely respected lawgiver, Athenians had a deep respect for what they called the "golden mean," which in politics meant avoiding extreme positions (Randall, 2003). There was a sober devotion to the common good that is often missing in modern democracies, which have tended to be much more individualistic and responsive to private interests. In the modern world, democratic decisions are frequently the result of compromises between powerful special-interest groups or individuals, with only slight concern for the collective opinion or welfare of the general populace. The average citizen in Athens could pick up enough information in the Agora to decide how to vote on issues. Information was transparent and there was no intention to tolerate the kind of official deception that threatens to destroy the very idea of democracy today (Thompson & Wycherly, 1972).

Most citizens in Athens who took part in the Assembly were much better informed on public issues than the average American voter today, who goes to the polls every other year in progressively smaller minorities.

In addition, there were a variety of constitutional safeguards built into the system. Any law passed by the Assembly had to be proposed by one person, whose name appeared at the beginning of the decree. If the citizens later thought they had made a mistake, they could attack the law in court on a "writ of unconstitutionality," on the basis that it was contrary to Athenian principles. If the law were challenged within a year of its passage and found unconstitutional, its proposer was fined a sum that would bankrupt almost any citizen. This arrangement had a tendency to discourage frivolous ideas and attention seekers. It encouraged reflexivity and political responsibility. There was also a way of ridding Athens of overly ambitious politicians, which was the famous "unpopularity" contest known as ostracism. A special date was set on which citizens wrote on clay shards or ostraca the name of the man they most disliked. Anyone who received a majority of a 600 member quorum was sent into exile for ten years. This process could, of course, be distorted and abused. Sometimes good men were sent into exile, but it still might be seen as a more effective system than the current all to frequent practice of lightly punishing or even pardoning our civil servants who abuse the laws they are elected, appointed or hired to uphold.

Perhaps the most important institution that helped the Assembly to function smoothly was the steering committee, the Council of 500. Athens, both the city and its surrounding countryside, was divided into 10 electoral districts called tribes. These districts were further divided into precincts or "demes," which had partial self-government in the rural areas. Each precinct named candidates over 30 years of age for the Council of 500. From these candidates, 50 were chosen by lot for each tribe, to serve as members of the Council of 500 for one year. The final choice by lot was one of the most democratic devices imaginable and reduced the danger of political manipulation. There was no danger that the Council could turn into a private preserve for the wealthy or influential, as modern governmental bodies have a tendency to do, because members served only one year. No man could be a member two years in a row, and no one could serve more than twice in his lifetime. Our state legislatures and Congress would be less subject to influence peddling and corruption if we had such membership rules. The Council of 500 formulated the published agenda for each session of the Assembly. According to regular rules, the Assembly would not discuss any issue not already investigated by the Council. The Council normally made a recommendation to the Assembly as to the best resolution for each problem. The Council was divided into 10 governing subcommittees, with 50 members of each tribe forming every subcommittee, which rotated as heads of the Council. When each subcommittee's turn came during the course of a year, it had to meet every day in the Tholos on the west side of the Agora, in order to monitor the government for its tenth of the year. Roughly one third of this subcommittee always had to be on hand in the council chamber, night and day, in case an emergency arose, and it provided a chairman if the Assembly met.

Once the Assembly had passed a resolution, the executive branch carried it out on behalf of the people and the Council of 500 supervised its execution. Nearly all administrative officials were chosen by lot for one year. Often they were selected in groups of 10 to carry out one specific function, such as policing the markets or maintaining the streets. The Council examined all officials chosen by lot before they took office to eliminate the physically weak or mentally incompetent. This would be unthinkable in our current system of government. Any official handling public monies was subject to repeated inspections. The Athenians had great faith in democracy in theory, but did not automatically trust in the virtuousness of any one individual. Their public officials were no richer when they left office after public service (Jones, 1986).

Democracies succeed only if the people are willing to choose and support able leaders. In the second half of the

5th century, Athens gave its support to the mighty Pericles, considered by many to be the greatest leader of Athens and one of the greatest in history (Kagan, 1991). He introduced publicly funded pay for service on the Council of 500. In this way even poor citizens could take part in public life. One of his more popular measures was the introduction of a law limiting Athenian citizenship to individuals whose parents were both Athenians. This may seem now like an unfair measure, but it had the effect of making citizenship a benefit and encouraged civic responsibility. Along with his own personal ambition and his patriotic desire to see Athens prosper, Pericles also had lofty ideals for uplifting his fellow citizens culturally. He spent public money lavishly to beautify Athens. As he put it, these public works gave employment to the citizens. The result was the embellishment of the Acropolis with its great buildings, which have been admired ever since (Claster, 1967).

Ever since this high point of Athenian democracy, the definition and practice of democratic forms of government has varied. The United States was called a democracy when it still had slaves, as did Athens. America was a democracy when only landowners were privileged to vote. The democracy of the United States only granted women the right to vote in the early part of the twentieth century. This nation is still called a democracy, even though a majority of its citizens never exercise their right to vote and a few hundred party leaders select our major national political candidates, allowing only those who can build multi-million dollar treasuries to run for political office with any reasonable chance of winning. Latin American military dictatorships have been called democracies (Jonas, 1994). South Vietnam, with a single candidate for president during the Vietnam War, was called a democracy. France, while under the kind of domination that would be called dictatorship behind the former Iron Curtain, was considered to be a democracy under the rule of Charles de Gaulle (Crozier, 1973). Even Germany under Hitler was considered to be a kind of democracy, and East Germany, until recently ruled by a few party bosses, was called the

German Democratic Republic (Moore, 1993). Does democracy really have any significant meaning any longer?

There are many serious defects in the modern version of democracy (Barrington, 1993). The efficacy of this form of government has been debated ever since it first came into being. The discussion over the past 25 centuries has not yet been resolved, even though much of the criticism lodged against democracy today had already been formulated in the time of ancient Athens. Many wealthy aristocrats, past and present, simply do not accept the idea of equality, the ability of all people to make rational and reasonable political judgments. The educated and wealthy often feel that they are inherently better than others, more capable and more worthy of wielding political power. Many Greek notables were appalled by the freedom of speech in Athens, which permitted the comic poets like Aristophanes to make scandalous attacks on public figures. Others have assailed democracy more constructively by pointing out its periodic lack of freedom and other weaknesses in practice. An instance of this assault on freedom occurred in America during McCarthyism, when criticism of the government was attacked as being unpatriotic (Cohen, 2002). Despite these concerns, Athens remained a democracy from 508 B.C. to 267 B.C., the longest-lived such system ever. No democratic structure has gone further, by direct vote and the use of the lot, to ensure that every citizen had equal power.

How democratic are we in the United States? Can the principles of democracy be carried further than they were by the ancient Athenians or than it has been by our system of government? The founders of this nation, tired of living as colonists under the whims of a monarchical system, tried to reframe a system of government that had not been seen in practice for centuries. The struggle to do so has produced great failures and triumphs, villains and heroes. Democracy here has come to be seen by many, especially the United States itself, as a panacea for the world's ills, but by many others as a neo-colonial materialistic system that is trying to rule the world with money, guns and butter (Lundestad, 1991). As America approaches the longevity of the Athenian democracy, we might well reevaluate the scope and success of our version of this ongoing experiment. Both ancient and modern democratic forms have shown that the will of the people is sometimes quixotic, seeming to change with every allegorical wind that gusts through the political landscape. Recently, theorists such as the scholar turned activist, Hernando de Soto, and political analyst, Fareed Zakaria, have published treatises espousing the conditions that may be necessary for a country to move towards a more liberal democracy, while some others have questioned whether democracy continues to exist at all.

Still others have put forth the idea that we are experiencing the "end of history," a philosophy stating that the world has embraced democracy as the optimal way to live. As we embark into increasingly global markets, the citizens of the United States should be encouraged to learn as much about the rest of the world as we expect those of other cultures to know about us. There is an assumption in the theories of Francis Fukuyama, whose popular work "The

End of History" has been interpreted as reinforcing the Hegelian view of history, that all people of the world would chose democracy as a political system unless oppressed and unable to do so (Fukuyama, 1992), (Hegel, 1956). Before believing this hypotheses, the people of the United States would likely benefit from the reflection upon the inherent flaws in the existing governmental system. In particular, they might be collectively concerned about the dominance of corporate special interests within the military-industrial complex that benefits and caters to these special interests all too often. The concept of the "ugly" American has, in large part, been rooted in the ignorance and entitlement of a relatively young culture that has often been arrogant and self-centered (Burdick & Lederer, 1999). This situation leads many Americans to be naively shocked when television brings images of anti-American demonstrations into their living rooms, in spite of the largely sanitized American news media, displaying angry people, here and abroad, who do not appear to share the core values of capitalism that have been established by the ruling classes.

The United States developed a military-industrial complex at the end of World War II that led to the growth of the maximization system of budgeting and began the cycle of budgetary abuse and influence peddling that continues to this day. This took the form of corrupt cronyism between industry and the military that could be justified by the exigencies of the Cold War. The post-war period witnessed the decline of Taylorism (Aitkin, 1985), the ascent of managerialism and the development of organizational and industrial psychology as an action research tool and as an actual profession. New business practices, along with rapid technological advancements, led to progressive deindustrialization and the huge discrepancy between wages and living conditions of unskilled workers, knowledge workers and top-level managers. These inequalities helped lead to the problem of worker alienation, which increased even more after the Taft-Hartley Act of 1955. The Act was formulated by the government with the help of industry to restrict the activities of labor unions (Taft-Hartley Act, 1947).

Industrial and organizational professionals entered this new world of corporate America following the path of Kurt Lewin, one of the early pioneers of worker participation (Golden, 1999). Lewin, a Jew, emigrated from fascist Germany where all outliers were persecuted, especially Jews. He was determined to prove that the study of individuals in groups and their reflection on their experience in the workplace could lead to better workplaces, more understanding and the reduction of prejudice. Ever since, the objectives of organizational and industrial psychology have changed and bifurcated radically.

The early organizational professionals tried to innovate and introduce democratic principles into the workplace, which were somewhat similar to the observations of Alexis De Tocqueville when he visited America in 1831 (De Tocqueville, 2000). De Tocqueville realized that one of the problems inherent in democracy was that absent political education, the citizens of the United States could become disenfranchised and succumb to a soft despotism, especially without continued involvement in civic and volunteer organizations. The lack of meaning many feel in their work lives today evinces that soft despotism that can rarely be solved by flavor of the month teamwork exercises and other current forms of workplace participation. Corporations have used consultants to introduce innovations and learning organizations with varying degrees of success when it comes to engendering worker satisfaction and participation, but most of these programs are directed at management. They fall under the hermeneutic tradition and the rubric of empowerment. Scientific management principles still underlie most quality management and zero defect programs. Americans live in a supposedly democratic system in our daily lives and spend our working lives in plutocracies controlled by benevolent despots, family monarchs and Machievellian leaders. After work, many Americans go to work at a second job; the "lucky" ones spend their evenings nesting with junk food and junk television (Putnam, 2000). In the United States, this lack of workplace freedom engenders a system where the Constitution and the Bill of Rights are barely adhered to by businesses, particularly those operating in at-will employment states. It is often true that individual freedom begins only after clocking out of the office or factory.

Through a review of the literature, it will be shown that moving toward a system of liberal democracy in the workplace could diminish widespread corporate abuse and irresponsibility, while revitalizing American workers and relegitimizing the work of the organizational professional. Liberty in the modern world is first and foremost the freedom of the individual from arbitrary authority and the brute power of the state (Zakaria, 2003). Liberty and democracy do not necessarily go together. It may be democratic for Iran to be Islamic, but it is not liberal. As journalist Art Kleiner did in The Age of Heretics, there will be an attempt to define work and life trends, their intersection and possible future (Kleiner, 1996). Kleiner helped define and study innovative programs to combat corporatism and restore democracy and a voice to the average worker. Certain organizations will be focused on as successful examples of the democratic workplace, which function without the capitalist vision of empire, including its unlimited expansion and disregard for the common good.

There will be no quarrel here with the physical architecture of the government in the United States as it has evolved through the centuries (Johnson & Ayer, 1994). This paper will instead focus on the development of American democracy, especially corporatism and the military/industrial complex. It will also explore the effects that the American system of government has on the American workplace, with its increasing financial and social inequality. Lastly, the history and present status of professional and non-professional change innovators will be examined, in an attempt to identify alternate trends for workplace and life-style development.

CHAPTER II

JEFFERSONIAN DEMOCRACY ATTEMPTS TO RECONSTRUCT THE PERICLEAN DEMOCRATIC IDEAL

As displayed by many of the writings of our third president and the following quotation from Thucydides of ancient Athens as he attributes the uniqueness of the government to the quality of its people, it has been widely accepted that our new nation was founded upon the ideals of democracy and respect for personal freedom. The rule of law that was first developed by Pericles and other philosophers in ancient Greece was then rediscovered and reconsidered from the Renaissance forward.

> Our form of government does not enter into rivalry with the institutions of others. Our government does not copy our neighbors, but is an example to them. It is true that we are called a democracy, for the administration is in the hands of the many and not of the few. But while there exists equal justice to all and alike in their private disputes, the claim of excellence is also recognized; and when a citizen is in any way distinguished, he is preferred to the public service, not as a matter of privilege, but as the reward of merit. Neither is poverty an obstacle, but a man may benefit his country whatever the

> obscurity of his condition. There is no exclusiveness in our public life, and in our private business we are not suspicious of one another, nor angry with our neighbor if he does what he likes; we do not put on sour looks at him which, though harmless, are not pleasant. While we are thus unconstrained in our private business, a spirit of reverence pervades our public acts; we are prevented from doing wrong by respect for the authorities and for the laws, having a particular regard to those which are ordained for the protection of the injured as well as those unwritten laws which bring upon the transgressor of them the reprobation of the general sentiment. (Simon, 2002)

Pericles left no written record, but his view of the state's obligation to its citizens was interpreted by Thucydides in the following heartfelt way: "And we have not forgotten to provide for our weary spirits many relaxations from toil; we have regular games and sacrifices throughout the year; our homes are beautiful and elegant; and the delight which we daily feel in all these things helps to banish sorrow." [1]

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[1] Thucydides wrote about the brilliance of Pericles in praising the Athenians who were killed in the battles of the Peloponnesian War as a synedocheal

For Jefferson and the other founders of this nation, there remained the question of how the United States would accomplish the goal of developing and expanding the new rule of democracy. After winning freedom from Great Britain, the newly formed nation of the United States had many important decisions as to what kind of society to create. One of the primary decisions to make was whether to follow in the footsteps of the British and mechanize the United States to assure the country's economic future. Many argued that many of the negative aspects of class and industrialization would prove harmful to the dream of democracy embodied in the young country, where the disenfranchised could become land-owners through savings, apprenticeship, education and the observance of good citizenship, all of which had not been available to them as outliers of the British hegemon (Simon, 2002).

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emplotment for praising the goodness of the Athenian government while praising the good of its citizens.

Thomas Jefferson, Alexander Hamilton and John Marshall

Jefferson, the primary writer of the Declaration of Independence, was a gentleman farmer[2], a lover of nature and strongly favored preserving the agrarian model in this country for more time to see what progressed. Jefferson initially approved of a community of landowners or potential landowners, farmers who read Homer and did not want a strong, centralized government like the one the British imposed (Bailyn, 2003). He was of a Republican political bent, used here not in the sense of the later Republican Party, but as one who wanted the national government only to step in when called upon by the sovereign states.

By contrast, Hamilton was a city dweller and businessman who wanted to take collective advantage of the multitude of resources the fledgling country offered (Randall, 2003), (Newmayer, 2002). He believed capital accumulation was a means to achieve national wealth and promote progress. Though Hamilton may have disagreed with the concept of the monarchy, he found no fault with substantial monetary inequality among citizens. He did not care if this clashed with the Jeffersonian idea of democracy, since he saw decentralized democracy as a problem that needed a strong guiding hand to correct. Hamilton knew an industrial society would not be adopted in the United States if there were no government backing as well as a consensus of powerful men that believed this was a worthy project for them to support.

Marbury v. Madison

Jefferson had another opponent in the third Chief Justice of the United States, John Marshall, who fought to develop a strong centralized government that ceded all constitutional issues to the previously less influential Supreme Court. In Marbury v. Madison, just as George Washington helped shape the actual form that the executive branch would take, so too did John Marshall influence the role that the Federal courts would play (Annals of Congress, Senate, 7th Congress, 2nd Session). Under the administrations of Washington and his successor, John Adams, only members of the ruling Federalist Party were appointed to the bench, and under the terms of the Constitution, they held office for life, assuming good behavior. When the opposing Democratic-Republican Party won the general election of 1800, the Jeffersonians found that while they controlled the Presidency and Congress, the Federalists still dominated the Judicial Branch. One of the first acts of the new administration was to repeal the Judiciary Act of 1800, which had created a number of new judgeships. Although President Adams had attempted to fill the vacancies prior to the end of his term, many of the commissions had not been delivered and one of the appointees, William Marbury, sued Secretary of State James Madison to force him to deliver his commission as a justice of the peace.

Marshall understood that if the Supreme Court awarded Marbury a writ of mandamus, a legal order forcing Madison to deliver the commission, Jefferson's administration would ignore it and thus significantly weaken the authority of the courts (White, 1991). On the other hand, if the Court denied the writ, it might well appear that the justices had acted out of fear of confronting the new administration. Either approach would represent a setback to the basic principle that constitutional law was supreme.

Marshall's decision in this case has been hailed as both a judicial tour de force and a travesty of justice. In essence, he declared that Madison should have delivered the commission to Marbury, but then held that the section of the Judiciary Act of 1789, which gave the Supreme Court the power to issue writs of mandamus, exceeded the authority allotted the Court under Article III of the Constitution, and was therefore null and void. He was in this way able to chastise the Jeffersonians, yet not create a situation in which a court order would be flouted.

The critical importance of this decision was the assumption of new powers by the Supreme Court. One was the authority to declare acts of Congress, and by implication acts of the president, unconstitutional, if they exceed the powers explicitly granted by the Constitution (Rozell, 1999). However, more importantly, the Supreme Court became the arbiter of the Constitution, the final authority on what the document meant. As a result, Marshall's Court became, in fact as well as in theory, an equal branch of the Federal government and it has played that role ever since. The initial realignment of the Supreme Court to a more conservative Federalist bias threw the weight of the Court's decision making toward the wealthy and powerful, tilting the judiciary away from the initial tenets of democracy and eventually placing the government on a path that became more similar to an oligarchical and plutocractic system (Sumner, 1995).

The Further Unraveling of Jeffersonian Philosophy

Jefferson's idea of America was philosophically elegant and yet prudent as well. He believed in a nation where the people were more important than institutions and that government was, ideally, subordinate to the rights of its citizens. He had based the Declaration of Independence on a number of ideas and philosophies from the Greeks that laid forth the idea of rule by the people. Starting with ancient Athens, a unique system of government was developed in which citizens were allowed to take part in the decision-making process they called democracy. The Athenian's form of rule was called direct democracy. It was an advanced system of government when compared, as Pericles noted, to the monarchs or small groups of people who ruled most populations at the time (Kagan, 1991). Colonial America could not use this exact form of participatory democracy because it is not considered practical in large societies. Based on the Athenian experience and later agreements that secured the rights of individuals, our Founders came up with the idea of representative democracy. Under this system, the citizens elected other citizens to represent them. The Magna Carta of 1215 had already contributed some important rights, which included the right to a jury trial, protection of private property, limits on taxation and guarantees of certain religious freedoms. As a result, anyone who is accused of a crime in America today has the right to be tried by a jury (Howard, 1997). A later guarantor of individual rights, the Mayflower Compact was one of the early steps toward democracy in America (Richards, 1967). The Pilgrims signed the Compact aboard the Mayflower in 1620, shortly before their arrival in America. The colonists agreed on a set of laws that would govern the Plymouth colony in Massachusetts. Even later, the Bill of Rights abolished excessive fines and gave citizens the principle of habeas corpus, that no one can be imprisoned indefinitely without being charged with a crime.

But the individual who most influenced the framers of the new nation was John Locke. Locke was a British philosopher who rejected the idea that kings had a divine right to rule. He developed a theory that argued that people are born with certain "natural or inalienable" rights, which include the right of "life, liberty, and property" (Zinn, 2001). People are born with these rights and no government can take them away; it was the people who formed government to protect individual rights, not what often seemed to be the exact opposite. People entered into what was called a "social contract," and under this contract, the citizens agreed to obey the government. Nevertheless, if the government failed to protect its citizens' natural rights, Locke asserted that they had the right to replace the government. John Locke's ideas became very influential in developing democratic ideas, and Thomas Jefferson, writing the declaration of Independence, drew heavily from the writing of Locke (Zinn, 2001).

Our third president, Thomas Jefferson, saw three institutions as threats to individual freedom. The principal threat was that government would function as an elitist organization, dictating what the citizenry needed, rather than the citizens telling the government what they required. There is often a concern that the people in any democracy will want something different than what those in control feel is necessary, and paradoxically, Jefferson often belied his own beliefs in his praxis of leadership and certainly lived an elitist lifestyle. Jefferson believed organized religion was the second threat to democracy and even wrote an alternative bible that lauded the principles of natural rights. His third apprehension concerned commercial monopolies and what was called the nouveau aristocracy, in the form of dominant businesses and wealthy individuals. In contrast, Hamilton did not see the factory ideal he proposed borrowing from industrializing Britain as anything that would destroy existing labor-intensive jobs, which required a man's strength. Rather, he claimed to view it as a means for women and children to enter the work force by manufacturing fabrics, shoes and other commodities easily and cheaply enough so that the poorer classes could purchase what they needed, rather than struggling to make them manually. In this case, Jefferson seems to have been much more prescient than any of his opponents in this belief, which will be discussed later in this paper. Since Hamilton's views became dominant, the problems of corporatism developed and continue to plague the world today (Peterson, 1986).

At the time of the American Revolution, however, it was difficult for any geographical area not controlled by the British to maintain access to consumer goods. This embargo by Britain was a device to bring the burgeoning colonies to their knees, begging for the mother country's protection. The colonists were primarily artisans and farmers. Many people had small gardens for producing their own food and sold any surplus. They often did piece work at home, such as hand spinning, papermaking, carpentry and other skilled crafts. The family worked together at home in this way, performing various essential tasks as they were needed (Kornblith, 1998).

Once the industrialization of America began, factory owners were able to control this independent, "natural" man, not as with slavery where men were owned by masters, but where factory workers were mastered by the business owner they had to obey in order to receive their wages. In reality, they were only a step away from slavery, since there was no other organized work in many parts of the country. Some religious owners of factories were known to be good-natured if the workers shared the precepts of the owner's beliefs. Everything Jefferson believed in was under insidious attack by the government and the pseudo-aristoi (Jefferson, 2001). Jefferson's faith in the people led him to believe in the citizens' ability to conduct a free election and avoid the pseudo-aristoi, the term at that time for pseudo-aristocrats, a group made up of individuals, families or commercial entities that were powerful enough to influence government. This group was inferior, in Jefferson's view, to the aristoi, by which he meant a natural aristocracy of moral and intellectual men. He believed, in general, that the people would elect good and wise men. In some instances, wealth might corrupt them and advantages of birth might blind them to the suffering of others, but not in sufficient degree to endanger the society (Simon, 2002).

After the debate between the Federalists under Hamilton and the Republican-Democrats led by Jefferson, the wealthy had achieved a kind of "lock-in" by becoming a new aristocracy, based on their status as white, male property owners (Arthur, 1994). They dominated existing industry, not because of any particularly special qualities, but because of their companies' size and their ability to produce goods quickly and cheaply, while regularly discounting human capital and becoming less kind to their own workers and less in favor of any sort of welfare assistance to the poor, disabled or disadvantaged (Gilens, 1999).

The Brave New World of Factory Work

In the new world of factory work, workers no longer slept when tired, ate when hungry or washed when dirty. In company boardinghouses, one did not eat by choice, stay warm when it was cold or have much time to oneself. The work was long, hard, dangerous and dirty, frequently performed by women and children. The factory was cold in the winter and hot in the summer, or hot all year long, depending on the industry. Factory employees worked ten to twelve hours a day, six days a week, and they were expected to attend church on Sundays. What free time remained was their own. Owners chose machines to replace human limbs and did not consider anything similar to Asimov's speculative Laws of Automatons, which protected humans from robots.[2] Instead, the factory's machinery often turned on humans, since they could not hear or talk over the din, but

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[2] **First Law**: A robot may not injure a human being, or, through inaction, allow a human being to come to harm.

Second Law: A robot must obey orders given it by human beings, except where such orders would conflict with the First Law.

Third Law: A robot must protect its own existence as long as such protection does not conflict with the First or Second Laws.

spent much of their day muted and bored with the repetitive nature of their tasks. Exhausted workers would be subjected to unsafe conditions leading to injury or death, and then be personally blamed for these inevitable accidents. Due to the factory system's lack of humanity and complete absence of democracy in the workplace, most American factory towns by the 1860s became indistinguishable from the English mill towns denounced by Dickens (Magnet, 1986).

This dehumanizing situation accelerated in 1793, when Eli Whitney invented the cotton gin. Before the advent of the mechanical gin, it took a worker one day to clean a single pound of cotton. Whitney's gin enabled the same worker to clean fifty pounds of cotton a day. The repercussions of this success were tragic in the southern colonies, because it energized the system of slave labor that had been steadily declining since the Revolutionary War. The resulting stain on this country's social fabric still marks the culture of the United States (Karwatka, 1998). The commercial interests dominating the repressive

English government, who had in part caused the colonists to flee for America, followed them here and attempted to reestablish their dominance, but the idea of fighting the horror of factory work began to foment a truly democratic people's movement.

Unions, Monopolies and the Spenserian Indoctrination

The attempts in this country to found labor unions began as a utopian reform of the poor working conditions and social ills of the Industrial Revolution (Zieger, 1994/2002). Samuel Gompers, the founder of the American Federation of Labor, began in this socialistic vein with the founding of the Knights of Labor (Calvert, 1969). He soon saw that in industrialized America, he would have to create a nation-wide union, accumulating money through dues to see members through the hard times of localized labor actions. Gompers organized an extensive network of indispensable, skilled male workers in order to force business owners to engage in collective bargaining. This pragmatic approach was effective, but resulted in the exclusion of many disenfranchised, unskilled workers. Previous attempts at unionization had included far more women, children and former slaves, but all were doomed to failure because factory owners saw no incentive to hire such "interchangeable" and dispensable workers.

The Robber Barons, as they collectively became known, Andrew Carnegie, John D. Rockefeller, Cornelius Vanderbilt and others, amassed enormous fortunes through their exploitation of the economic system prior to the rise of labor unions, often with the active assistance of the Federal government (Boardman, 1979). The rich saw the government as a laissez-faire, avuncular mediator of upper class property disputes, a distinctly undemocratic friend that would quell working class uprisings, and a deaf, dumb and blind business partner committed to ensuring the status quo by ignoring the abuses of powerful monopolies and the suffering of the masses. When Grover Cleveland won the Presidency in 1884 on a platform of opposition to monopolies, Jay Gould, a Robber Baron himself, wired the new president to affirm his confidence that the nation's businesses would "be safe" in Cleveland's hands, as indeed they turned out to be (Stalcup, 1980/2001).

To illustrate the spirit of the times that allowed for these abuses in a so-called democratic society, it is interesting to read the following excerpt from a well-known speech with the advantage of nearly one hundred years of hindsight. Titled "Acres of Diamonds" by philanthropist Russell Conwell, who was instrumental in the founding of Temple University, the address strongly advocated Spenserian sociology and its reinterpretation of Darwin's "survival of the fittest" in human terms. Conwell worked his way across the country, selling people his own brand of snake oil and religion (Burr, 1917).

> Let me say here clearly . . . ninety-eight out of one hundred of the rich men in America are honest. That is why they are rich. That is why they are trusted with money. That is why they carry on great enterprises and find plenty of people. It is because they are honest men. . . . I sympathize with the poor, but the number of poor to be sympathized with is very small. . . . To sympathize with a man whom God has punished

> for his sins is to do wrong. . . . Let us remember there is not a poor person in the United States who was not made poor by his own shortcomings. (Conwell, 1993), (Sale, 1995)

Factory production encouraged human proximity to large cities and the use of public waterways to dispose of human waste and industrial pollution. By 1969, nearly 80% of water pollution in the United States was attributable to industrial sources (Stalcup, 1980). This also makes it difficult to determine when the Industrial Revolution ended, since its deleterious effects are still with us and most factory owners have yet to assume legal responsibility for cleanups without coercion (Korten, 2001), (Harding, 2002). It seems obvious that polluted water supplies caused by industrial waste, soil erosion resulting from the massive clear-cutting of forests, "red tides" or huge blooms of poisonous algae fed by agricultural pollution and bizarre climatic changes believed to be created by the uncontrolled release of carbon dioxide cannot be healthy for planetary life. Why have these destructive practices continued? Why are Third World countries used by the

United States as dumping grounds for dangerous industrial by-products and as havens for unregulated practices too dirty or dangerous to be permitted in the so-called developed nations? It is not just a human problem, but also one of a deeper, system-wide disruption of our planet's ecology. The earth is experiencing the problems of distorted values and unequally applied laws that have allowed the former "new world" to become a tainted environment with only intermittent remedial treatment. The United States has led the way in conspicuous consumption, not only of man-made products and services, but as the greatest user or abuser of natural resources per person in the world (World Resources Institute, 2003).

As pioneers blazing the trail on this journey to excess, the Robber Barons found ways to accumulate huge amounts of wealth with little regard for the damage their unregulated activities had on the environment. Even if it had been widely recognized that the industrial waste they were spewing would not dissipate easily and the natural resources they were plundering could not be readily regenerated, this abuse would still have been made permissible by a unique interpretation of the Fourteenth Amendment to the Constitution, which gave corporations the rights of humans while relieving them of many responsibilities imposed on individuals. At the time the Constitution was written, there were two fundamental legal entities, human beings and the governments they formed. Religious institutions were often operated as families, clans or theocracies. The history of the world is replete with detailed accounts of brutish warlords, tyrannical governments and fanatical religious movements that preceded the rise of corporations, but their collective impact pales by comparison to the effects corporate dominance has wrought on every aspect of modern society (Knight, 2000).

This country's democracy was a governmental innovation that promised a new collection of rights for the individual. This new model of government was what Lincoln affirmed in the Gettysburg address as being government of the people, by the people and for the people (Smith, 1997). At the time, this was a radical notion when compared to previous systems of rule. After the Greeks' creation of democracy, governments were either enforced by coercive regimes or controlled by celestial mandate, as reflected by the belief in the Great Chain of Being, that royalty were the chosen people of God on Earth and by divine right were meant to defend and maintain the faith of their followers (Figgis, 1990), (Lovejoy, 1970). The frequent appearance of regicide in early works of literature mirrored its significance in these changing monarchies, particularly in England, the mother country of the United States (Seel, 1999). In the proto-Renaissance, people decided that there were some human activities that were not the purview of government. These included making profits, ownership of inventions, international trade and organized religion. There were rules for people and governments owning property, and government promoted international trade. There were no rules for religions or businesses owning property, which had usually been arbitrarily granted them by the state. In the continuing explication of the laws following the establishment of democracy in the United

States, these rules have been reinterpreted and revised, and the conception of democracy has evolved as well.

CHAPTER III

THE ADVENT OF THE "VIRTUAL" PERSON

Thomas Jefferson's concept of an egalitarian Senate elected by the people finally became a reality with the passage of the Seventeenth Amendment in 1913. Prior to that, however, average individuals had little influence on the course of government. Even with James Madison's concerns about including a standing army, opposed by Jefferson, and omitting "freedom from monopolies" in the document, the Bill of Rights was guided through the process of ratification by December of 1791 (Levy, 2000). Meanwhile, the Federalist Party continued to oppose any legislation that would have allowed the country to be controlled by direct democracy (Burch, 1981). Ruling members believed in representative government by the plutocracy of wealth and business. They were scornful of what John Adams was known to refer to as "the rabble." Adams subscribed to a version of the canon that wealth was a gift given from God and that the poor were people who did not deserve to be blessed.

In researching 19th century laws regulating corporations, Jane Anne Morris, a corporate anthropologist, found that in Wisconsin, as in many other states before the Civil War, the following statutes were passed for the purpose of restricting the activities of corporations and asserting the right of government to create limits on their power (Korten, 2001).

• Corporate licenses to do business were revocable by the state legislature if they exceeded or did not fulfill their chartered purpose(s).

• The state legislature could revoke a corporation's charter if it misbehaved.

• The act of incorporation did not relieve corporate management and stockholders/owners of responsibility or liability for corporate acts.

• As a matter of course, corporate officers, directors or agents could not break the law and avoid punishment by claiming they were "just doing their job" when committing crimes, but instead could be held criminally liable for violating the law.

- State (not Federal) courts heard cases where corporations or their agents were accused of breaking the law or harming the public.

- Directors of corporations were required to be chosen from the ranks of stockholders.

- Corporations were required to have their headquarters and board meetings in the state where their principal place of business was located.

- Corporate charters were granted for a specific period of time, typically 20 or 30 years, instead of being granted "in perpetuity" as is now the practice.

- Corporations were prohibited from owning stock in other corporations, to prevent them from extending their power inappropriately.

- Real estate holdings of corporations were limited to what was necessary to carry out their specific purposes.

- Corporations were prohibited from making any political contributions, directly or indirectly.

- Corporations were prohibited from making charitable or civic donations outside of their specific purposes.

- State legislatures could set the rates that some monopoly corporations could charge for their products or services.

- All records and documents of corporations were open to the legislature or the state attorney general (Hartmann, 2002).

Beginning in the late nineteenth century, corporations increasingly used their economic and political influence to change these restrictive laws to their benefit, culminating with the judicial misinterpretation of the Fourteenth Amendment, which profoundly changed the way corporate governance was viewed and regulated.

The Need to Monitor the Corporate Bastille

The widespread use of incorporation may have marked the beginning of the end of true free-market capitalism. In free-market capitalism, since people survive by using their reasoning, they should be free to act upon their mind's own judgment, free to work for themselves and on their own behalf. The freedom to act includes the freedom to trade with other people, unfettered by anything other than each individual's willingness to associate with another. The economic system that exists in America is not laissez faire or unrestricted capitalism, but contains a mixture of capitalism and state controls. Many of those who most unwaveringly opposed allowing government to grant the privileges of incorporation also promoted capitalism. Insofar as capitalism calls for a business sector that is forced to respond to the needs and interests of consumers, and insofar as incorporation grants insulation from the vicissitudes of the free marketplace, the privileges of incorporation and the demands of capitalism create conflict. Philosopher and economist Adam Smith recognized this conflict. He threw his significant weight on the side of those opposed to what were then called joint-stock companies, which were the precursors of corporations and did not protect owners/stockholders from liability. Smith's position on this issue has not often been addressed in capitalist literature. He wrote that the "pretence that corporations are necessary for the betterment of trade, is without any foundation" (Wight, 2001).

As the prototypes of corporations, joint-stock companies differed in several respects from private copartnerships. First, in a private copartnership, a partner can transfer his share to another person or introduce a new member to the company only with the consent of the company. In a joint-stock company, a member can transfer his share to another person or introduce a new member to the company without the consent of the company, as is true of corporations. Laws governing corporations, however, present even fewer obstructions to the free circulation of stock from one owner to another and limit the liability of owners to the value of their stock. This exemption from control of ownership and limited liability, especially after the inadequate punishments meted out for the recent corporate scandals and brokerage frauds of the late 1990s and early twenty-first century, encourages many individuals to become corporate adventurers who would on no account hazard their fortunes in any private copartnership. The directors of such companies, being the managers of other people's money rather than their own, cannot always be counted on to watch over the corporate coffers with the same vigilance that the partners in a strictly private copartnership watch over their own. Negligence and excess, therefore, often prevail in the management of the operations of such corporate entities.

Smith recognized the threat that incorporation posed to capitalism, and he tried to prevent it, but his efforts were to little avail. The monied business interests in England had too much political power, and they harvested the fruits of that privilege by being granted the power of incorporation. Incorporation laws have become complex, detailed and extensive. They grant legal rights and privileges to the owners and managers. They are the objects of specific actions by government agencies, and the laws are also subject to revision and change. In the United States, various states have competed with each other to see which could legislate incorporation provisions that give the greatest advantage to investors, and Delaware finally won that interstate competition. As a consequence, many major corporations are incorporated in Delaware, yet Delaware does not even require a corporation it charters there to maintain any of its operating divisions in the state (Warda, 2002).

The origin of modern stock exchanges that specialize in creating and sustaining secondary markets in the securities issued by corporations goes back to the formation of the East India Company in 1602 (Knight, 2000). That year saw the United Provinces of the Netherlands adopt a charter that created the Verenidgde Nederlansche Geoctroyeerde Oostindische Compagnie, afterwards known as the VOC. During the seventeenth and eighteenth centuries, the British Parliament, which was made up of wealthy businessmen and landowners, passed many laws to protect their own private property interests and monopolies, including those opposed by Adam Smith. The United States Constitution, however, makes no mention of corporations, indicating that the framers of the new government did not imagine or intend that corporations would have a consequential part to play in the young nation. Jefferson, like Smith, saw governments and corporations as instruments that would suppress the healthy competitive forces of the free market and limit the variety of choices that capitalism engendered. "It is to prevent this reduction of price and consequently of wages and prices, by restraining that free competition which would most certainly occasion it, that all corporations and the greater part of corporation law have been established" (Smith, 1776/2000). Initially, the American Constitution relied on the separation of governmental powers to limit the abuse of state authority. Corporations that were chartered in the young republic were carefully monitored. Powers of incorporation were granted by the individual states so they could keep a close eye on corporate behavior, and most states had statutes to do so.

The right of states to renew corporate charters was accepted until 1819, when New Hampshire attempted to revoke the charter given to Dartmouth College by King George III while the United States was still a colony of England. In that year, the Supreme Court overruled the revocation of the charter, saying that there was no reservation clause in the charter. For this landmark case of Dartmouth College v. Woolsey, U.S. Supreme Court Chief Justice Marshall declared the corporation, Dartmouth College in this case, to be "an artificial being, invisible, intangible and existing only in contemplation of the law." Being a mere creation of law, it possessed only "those properties which the charter of its creation confers upon it," but then ruled that the state of New Hampshire could not impair a contract by changing a corporate charter which the previous legislature, in the name of King George, had given to Dartmouth. Justice Joseph Story's concurring opinion said that the way to alter corporate charters was to reserve that right explicitly, and many state legislatures began to do just that, even adding the right to their constitutions. The populace of New Hampshire at the time of this decision was outraged by the favoritism shown toward Dartmouth and saw it as a major attack on the sovereign rights of states. They argued that corporations were not granted rights by "birth," but by the largesse of state legislatures to perform a common good (Dodge v. Woolsey, 18 How. (59 U.S.) 331 [1856]). However, the Supreme Court's ruling set a precedent, which strengthened the power of corporations, and set the stage for their almost total dominance as a result of later court decisions.

The Civil War and the Ransacking of Democracy

According to David Korten, after the Civil War, the United States was a different country then the one conceived in Constitution Hall during that hot Philadelphia summer, and corporations found a new environment that was more receptive to the assertion of their "rights" during the Civil War, from 1861 to 1865 (Korten, 1999). The nation was divided by a war that was testing the core of its philosophical convictions. As usually seems the case during such crises, there were those who fought the war in defense of the ideal of liberty, trying to get closer to the truth of democracy and freedom as expressed by the Lockean ideal, and there were also those who were ruthless speculators and sought simply to profit from the conflict. Profits from military procurement contracts allowed wealthy industrialists, landowners and other speculators to take advantage of the economic disarray and contribute to the ensuing political corruption.

As with other monopolies, the railroads had been subject to regulations that kept prices fair for passengers and limited the railroads' profits to what each legislature thought fair for state authorized monopolies. By 1870, the railroads were launching concerted attacks against these restrictions and the regulators who thought it their place to see they were enforced. They felt the limits placed on their corporations by states were unfair and restricted capital accumulation. They used their wealth to directly influence legislation granting them huge networks of surrounding land, as well as cash, to expand the railway system into the western regions of the growing nation. Since towns and cities grew up around the rail lines, these land grants provided the railroads with continuing sources of income and political influence.

When Abraham Lincoln was assassinated, his successor, Ulysses S. Grant, was a genuine war hero, but also a severe alcoholic who did not understand the ethical requirements of politics and allowed himself to be used by the Robber Barons, often consorting and drinking with them publicly. Even if Grant was not directly involved in corruption, the public perception of him was to the contrary (Smith, 2001). Millions of people had been left jobless by the war and the pursuant depression, as the Robber Barons continued to prosper in the ruins of the reconstructed Republic (Foner, 2002). The actual corruption and influence peddling, and the public perception of both, increased to the point that the presidential election of 1876 had to be settled through secret negotiations, making the Supreme Court's decision in the presidential race of 2000 seem like a transparent exercise in interpreting the will of the people (U.S. presidential election, 1876; Source: U.S. Office of the Federal Register). In the election of 1876, Democrat Samuel J. Tilden received 184 electoral votes, Republican Rutherford B. Hayes received 163 and 22 electoral votes were uncertain, with two different sets of returns being certified. The Federal Electoral Commission was formed to settle the dispute. The uncertain results involved 21 contested electors from Florida, Louisiana and South Carolina, plus another from Oregon, whose legitimacy was challenged. In the first three states, the official returns favored the Democrats, but the elections were marred by fraud and threats of violence against Republican voters. The Republican dominated electoral commissions in each state were able to throw out enough votes to allow the Republicans to win these states. This resulted in two sets of returns, one certified by each governor, favoring the

Republicans, and another certified by the respective state legislatures, favoring the Democrats.

In the case of Oregon, the voters were clearly in favor of the Republicans. However, one of the Republican electors was a postmaster. The Democratic governor claimed that the elector was constitutionally disqualified on the grounds of holding a Federal office, and therefore substituted a Democratic elector in his place. The Electoral Commission was formed by an act of Congress to settle the resulting undecided national election, which was signed into law on January 29, 1877 (Fairman, 1988). Fifteen members were chosen to comprise the Commission, five from the United States Senate, five from the United States House of Representatives and five from the United States Supreme Court. Since the Republicans controlled the Senate, three of the Senators were Republicans and two were Democrats. Similarly, since the Democrats controlled the House, three Democratic Representatives and two Republicans were chosen. Finally, two Republican and two Democratic Supreme Court Justices were chosen, and these four were to choose a fifth Justice, to make the Commission as impartial as possible.

Unfortunately, before the Supreme Court members elected their fifth member, the expected choice, Justice David Davis, was elected by the Illinois legislature to the U.S. Senate. Another Justice had to be chosen, and he was Justice Joseph P. Bradley, considered the most nonpartisan of the remaining Republicans on the Court. Bradley was, however, still a Republican, and on every disputed electoral vote, he joined the other seven Republicans to establish an eight to seven majority. Consequently, all of the disputed votes were awarded to Hayes, who was declared the winner of the electoral vote, 185 to 184.

The Democrats in the U.S. Senate threatened a filibuster, an extended debate that might have had the effect of preventing a vote[3] in this case, to stop the

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[3] Comes from the Spanish word, filibustero, meaning "free booter" or an "irregular military adventurer", such as "an American engaged in insurrection in Latin America in

Commission from reporting its results. Senate rules contain no motion to force a vote. A vote occurs only when debate ends. In order to avoid this deadlock, the Republicans negotiated an agreement with the Democrats, known as the Compromise of 1877, in which Federal troops were withdrawn from the largely Democratic South, at least one Southerner was appointed to President Hayes cabinet and economic benefits were promised to help industrialize the South. The withdrawal of Federal troops marked the end of Reconstruction and post-Civil War efforts to bring about racial equality (Woodward, 1991). Until the election of 2000, this election was the most contentious in the history of the United States, and the conservative Federal court judges nominated by Hayes became more and more favorable to corporate lawyers and their clients (Schlesinger, 2003). Precedents were set that eliminated the use of juries to decide fault and assess damages in court cases involving

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the mid-19th century". Filibuster also means "the use." of extreme dilatory tactics to prevent action, especially in a legislative assembly."

injuries caused by corporate neglect of safety concerns. Judges often ruled that an individual was actually responsible if they were injured on the job, even in the case of unsafe working conditions. From 1888 to 1908, approximately 100 employees a day on average were killed in industrial accidents (Hobsbawm, 1996). Wage and hours laws were declared unconstitutional, and states could not oversee corporate rates of return and prices, as they had before. Prior to his unexpected death, President Lincoln had predicted that because "Corporations have been enthroned...an era of corruption in high places will follow and the money power will endeavor to prolong its reign by working on the prejudices of the people...until wealth is aggregated in a few hands and the Republic is destroyed" (Shaw, 1950).

Santa Clara v. Southern Pacific Railway and the Co-optation of the Fourteenth Amendment

In 1886, with the case of Santa Clara County v. Southern Pacific Railroad, the U.S. Supreme Court incongruously decided that a corporation is the same as a person under the law, entitled to the legal rights and protections the Constitution affords to every person. Because the Constitution made no mention of such corporate entities, it was a fairly clear case of the Court's taking upon itself the continued rewriting of the Constitution (Berger, 1997). Far more remarkable, however, was that this doctrine of corporate personhood, which subsequently became an important precedent in law, was introduced in this 1886 decision without discussion. Supreme Court Justice Morrison Remick Waite simply pronounced before the beginning of argument in the case that "the court does not wish to hear argument on the question of whether the provision in the Fourteenth Amendment to the Constitution, which forbids a State to deny to any person within its jurisdiction the equal protection of the laws, applies to these corporations. We are all of opinion that it does." The court reporter duly entered into the summary record of the Court's findings that "The defendant Corporations are persons within the intent of the clause in section 1 of the Fourteen [sic] Amendment to the Constitution of the United States, which forbids a State to deny to any person within its jurisdiction the equal protection of the laws." So it was with an arbitrary assertion by a single judge that corporations were elevated to the status of persons under the law, preparing the way for the spread of corporate rule and the proliferation of capitalism, with the eventual decline of Lincoln's original conception of democracy as being of, by and for the people.

This doctrine of corporate personhood created an unresolved legal contradiction. The corporation is owned by its shareholders and is therefore their property. If it is also a legal person, then it is a "person" owned by others and is therefore in a condition of slavery, a status explicitly forbidden by the Thirteenth Amendment to the

Constitution. The courts have never directly addressed this paradox. Still, anti-corporate activists remark upon the contradiction when opposing the ongoing trend in court decisions toward the direction of expanding corporate rights and increasing the autonomy of corporate management, even to the extent of shielding it from oversight by the corporation's so-called owners or shareholders (Meyers, 2000), (Redwood Coast Alliance For Democracy Website, 2003).

The Corporation as "Virtual" Person

Corporations now enjoy unlimited life. Virtually all of the conditions that were established by the chartering states before the Civil War have vanished and business may incorporate in any state that is most favorable to them. Although their owners hold the ultimate decision making power and the corporation is obliged to manage its affairs for the sole benefit of its owners/shareholders, these owners bear no accountability for corporate misdeeds or liability beyond the value of their shares. Through judicial decisions, corporations have become far more powerful than ever intended by the states that chartered them.

By the beginning of the twentieth century, corporations were given a number of special privileges, such as eminent domain, legal monopoly, free land, limited liability and so on, because they supposedly served the public interest. As corporations became more and more estranged from government and from these public welfare purposes, many of those privileges including limited liability remained. Some were even added, such as the right to own stock in other corporations. While the concept of intercorporate stock ownership was critical in that it allowed corporations to become truly mammoth financial organizations, easily outstripping private companies and even governments, perhaps even more important was the granting of limited liability. Limited liability is the concept that owners of a corporation have nothing at stake but the money they have invested. If the corporation is sued, the owners or shareholders are immune (Siekmann, 2001), (Conviser, 2002). Limited liability has further theoretical ramifications. Because the owners are not at risk, all risk is transferred to the creditors of the corporation. Ironically, because owners are not liable for debts, they have little power to manage and be responsible for them. When a corporation does something illegal or falls into deep debt, the owners are not responsible, but neither do they have the ability to cure the fault. If a corporation experiences a scandal or insurmountable debt leading to bankruptcy, it might find itself with a new CEO and board of directors as well as a tighter budget, but it retains the same rights to do business and influence the political world. Seeing these examples of how monied interests have corrupted our courts and our democracy leads one to look for other examples (Phillips, 2002).

Going back to the formation of the United States, it was a fact that only rich, white male landowners were allowed to participate in this noble experiment in democracy. Is it any wonder that this limited class of individuals designed a system that took care of the needs of their kind? James Madison believed the primary goal of government was to protect the wealthy minority from the majority. For him, that America was a republic and not a pure democracy was its greatest strength. It meant that public policy would not be made directly, emotionally, or for narrow concerns. By the delegation of government to a group of citizens elected by the rest, it would be possible to clarify and refine public opinions, by passing them through the medium of a chosen body of citizens, whose wisdom might best discern the true interest of their country, and whose patriotism and love of justice would be least likely to be corrupted. Madison's words represent a remarkably modern idea, that of delegation. Delegation is, after all, how modern businesses are run. Shareholders own the company, but they hand over its active management to professionals who can devote their full time and energy to it and who have expertise in the field. This is not to say that, in our less than ideal world, some executives will not abuse the authority given to them. Delegated or representative democracy, in the view of many of America's founders, would generate superior government because it would be implemented by people interested and experienced in public affairs, but still accountable to the people. Unfortunately, whereas delegation and specialization in business improve a company's performance, in politics, the trend is typically in the opposite direction. If one were to argue, in the business world, that any rank amateur could run a sizeable company because experience in business has no bearing on one's ability to do the job, the argument would be met with ridicule. Say that to future government representatives in their first political campaign and they may offer the job of campaign manager.

> Viewing the history of the United States with that statement as a yardstick, one has to conclude that Madison's priority prevailed. It may desirable to recognize the inherent contradiction between the promise that is still present in the ideal of democracy and the historical facts of what has become of this particular democracy the Founders created. (Perrow, 2002)

It is necessary to understand and acknowledge how a small group of wealthy and politically powerful men made democracy work for themselves, to the detriment of society at large (Rakove, 2001).

CHAPTER IV

THE ONSET AND CONTINUATION OF DEINDUSTRIALIZATION

In the last several decades, corporations and government began to cease investing in many fundamental industries of the United States, as we moved toward a service economy (Harrison, & Bluestone, 1990). We no longer make many basic machine tools or ships. We import much of our mass transit equipment. Rather than invest to keep our industrial and factory base intact, U.S. corporations now outsource a large portion of their parts and equipment overseas, as service economy jobs become less skilled, poorly paid and easily replaceable. The new knowledge economy jobs are only for the highly educated, highly specialized and well-paid specialists and professionals. As a result of alienation, which is the loss of manufacturing jobs to low wage countries, and disinvestment, meaning the failure to maintain basic industries, between 32 and 38 million manufacturing jobs were lost in the 1970s (Bluestone & Harrison, 1982).

Deindustrialization in this country was the outcome of a series of developments in the world economy. The economic success of the United States eventually led to the ongoing glut of consumerism that has masked the fundamental problem of wealth inequality. U.S. returns on investment overseas created enough short-term profits to seemingly justify this disruption of our labor pool, but these lost jobs also helped to further erode our capacity in basic industries, so that one after another, whole towns and cities supported by mills and mill dependent activities began to fail. The polluted cities were abandoned for the suburbs and urban decay became a permanent characteristic of our major population centers (Bluestone & Harrison, 1982).

Throughout the zenith of America's economic dominance, from 1945 until 1971, corporations were able to accumulate dynamic fortunes and still keep the so-called social contract between labor and management (Phillips, 2002). This "contract" began to weaken when corporate profits began to drop in 1975, as the average rate of return on capital fell below 10.1 percent and never achieved that level again. The salaries of corporate management began to soar with the blossoming of the managerial revolution, with chief executives and other top officers increasingly securing huge compensatory packages often unrelated to their performance. In inflation-adjusted dollars, the average employee's wage never increased from that date onward (Phillips, 2002).

Prior to this period of no wage growth, the National Labor Relations Act of 1935, known popularly as the Wagner Act, was the New Deal legislation designed to protect workers' rights to unionize, which had the effect of protecting jobs as well. It created the National Labor Relations Board, which still functions to enforce the National Labor Relations Act. The NLRB conducts secret-ballot elections to determine whether employees want union representation, and investigates and remedies unfair labor practices by employers. The statute guarantees the right of employees to organize and bargain collectively with their employers, or to refrain from all such activity. The

Act implements our national labor policy of assuring free choice and encouraging collective bargaining as a means of maintaining industrial peace. Through the years, Congress has amended the Act, and the Board and courts have developed a body of law drawn from the statute (Runkel, 2003). However, the relentless pressure from corporate interests resulted in a new law that did much to constrain union activities.

The year 2003 marks the 56th anniversary of the passage of the Taft-Hartley Act, one of the most devastating blows to unionization and American democracy. The improvements in the labor movement's ability to organize, as exemplified by the Wagner Act, were gravely damaged by Taft-Hartley, which was drafted by employers and fundamentally infringed on workers' human rights. Legally, it obstructed the right of employees to join together in labor unions, undermined the power of unions to effectively represent workers' interests and authorized an array of anti-union activities by employers. Among its key provisions, Taft-Hartley authorized states to enact so-called right-to-work laws. These laws undermine the ability to build effective unions by creating a free rider condition where workers can enjoy the benefits of union membership in a workplace, without actually joining the union or paying union dues. Right-to-work laws increase employer leverage to resist unions by enabling them to hire free riders and vastly decrease union membership, thus dramatically diminishing a union's bargaining power. The Act outlawed the closed shop, which required that workers join the union before being eligible for employment by the unionized employer.

"Employee" was defined for the purposes of Taft-Hartley as excluding supervisors and independent contractors, diminishing the pool of workers eligible to be unionized. The exclusion of supervisors from the union's organizing activities meant they could be used as management's "front line" in its anti-union efforts. Under the Act, employers are permitted to petition for a union certification election, thus undermining the ability of workers and unions to control the timing of an election during the sensitive organizing stage and forcing an election before the union is ready. Taft-Hartley also prescribed that election hearings on matters of dispute be held before a union recognition election, thus delaying the election at the whim of the targeted company. A delay can often benefit management, giving the employer additional time to coerce workers. Management was given the "right" to campaign against a union organizing drive, thereby scuttling the principle of employer neutrality. In addition, secondary boycotts were no longer permitted. These are boycotts targeted at neutral employers who do business with the primary target employer, to pressure that employer with which the union has a dispute. Secondary boycotts had been one of organized labor's most effective tools (Nader, 2002).

As a recent example, the port dispute that snarled shipping at 29 ports on the West Coast in 2002 is indicative of the failure by Taft-Hartley to quickly settle labor actions (Reutter, 2002). The Act, which President Bush invoked on October 8th of that year to open the docks following an all-day lockout of workers by port operators, is not "the panacea most people think it is" for resolving sticky labor disputes, writes Michael H. Leroy, a labor-law expert at the University of Illinois (Leroy, 2000). The law does not contain a magic formula for resolving labor disputes, but rather requires an 80-day cooling-off period, at which time a strike by employees or a lockout by management can resume. Research by Leroy has found that since the law's passage in 1947, fully 30 percent of Taft-Hartley injunctions do not result in a settlement during the cooling-off period. In eight of eleven times when the Act was invoked in cases involving dockworkers, the dispute re-emerged after 80 days.

History shows that Taft-Hartley is invoked by the White House as a political expedient to stave off public alarm over a major work stoppage, which could affect the strength of the economy. In last year's dispute between the International Longshore and Warehouse Union (ILWA) and the dock owners' Pacific Maritime Association, Bush declared that the port shutdown imperiled "national health or safety" (Reutter, 2002). Under the law, the president can appoint a fact-finding board and petition the federal courts to order the facilities reopened. If the dispute is not resolved following Federal mediation, the employer's last contract offer is submitted to employees in a secret ballot. If the matter is still not settled, the shutdown can resume or Congress can impose a legislative end to the conflict. By invoking Taft-Hartley during the 2002 West Coast dock strike, Bush pushed any subsequent port shutdown well past the November elections that year. According to Leroy's research, Congress passed the Taft-Hartley Act to explicitly curb the allegedly excessive power of labor unions in the wake of liberalizing New Deal legislation. Not only are the standards for the president to intervene "vague," but also a Taft-Hartley injunction tends to "aggravate rather than to resolve labor disputes" (Leroy, 2000).

Exacerbating this aggravation, corporate compensation became more and more disparate over the decades following the passage of Taft-Hartley, with huge amounts of money awarded to high-level managers and chief executive officers, while average workers and members of labor unions worked faster just to stay in place and maintain their inflation adjusted wages (Bok, 1993). This wage and salary gap has always existed between workers and managers of companies, but at various times in our history there have been attempts to reduce the disparity through the establishment of governmental programs to advance the socio-economic status of the less fortunate.

Nearly all of the social welfare improvements in this country's history were driven by the philosophy of Jefferson and his Lockean ideals, as well as the handful of other presidents who followed with similar philosophies. Theodore Roosevelt fought against the unfair business practices and monopolies of the Robber Barons, looking favorably upon the protection of workers. Woodrow Wilson was in favor of many state assistance programs becoming integrated into the Federal government so more equitable living conditions could be encouraged nationwide (Cloward, 1997). Franklin Delano Roosevelt turned his back on big business with the establishment of the New Deal, which created jobs and social programs for the disenfranchised to help the country recover from the Great Depression. In the War on Poverty, Lyndon Johnson expanded the principles of the New Deal with more targeted social welfare programs.

Labor & Employment

In the modern world, employment is the means by which goods and services are provided. Beyond establishing an economic relationship between employer and employee, work provides a powerful structure for organizing social and cultural life. The employment relationship is more than the exchange of labor for money. In U.S. society, self-worth, dignity and personal satisfaction are achieved primarily through employment responsibilities, performance and rewards. The development of employment law demonstrates the importance of work in citizens' lives (Murray, 1998). Since the 1930s, employees have acquired more legal rights, as Federal and state governments have enacted laws that give them the power and authority to unionize, to engage in collective bargaining and to be protected from discrimination based on race, gender, age or disability.

English common law (Lobban, 2001), and subsequently early U.S. law, defined the relationship between an employer and an employee as that of master and servant, as when the tasks performed by the servant were under the direction and control of the master and were subject to the master's knowledge and consent. With the rise of industrialization and mass production in the 1800s, employers needed masses of employees to run the machines that produced capital and consumer goods. By the end of the nineteenth century, the U.S. economy was attracting millions of immigrants. In addition, migration from country to city accelerated. Nineteenth-century employment law was based on the concept of liberty of contract, where a worker had the "freedom" to bargain individually with an employer for terms of employment. This concept was challenged when workers organized into unions and engaged employers in collective bargaining. The U.S. legal and economic systems at the time were opposed to the idea of collective bargaining, while union organizers noted the inequality of individual bargaining power between a prospective employee and an employer (Liechtenstein, 2002). The immigrant influx in this country was alternately welcomed and rejected depending on the amount of work available and workers needed (Tichenor, 2002). Judges were hostile to attempts by state governments to regulate the hours and wages of employees. In Lochner v. New York (198 U.S. 45, 25 S. Ct. 539, 49 L. Ed. 937 [1905]), the U.S. Supreme Court, by a 5 to 4 vote, struck down a New York state law (N.Y. Laws 1897, chap. 415, art. 8, § 110) that specified a maximum sixty-hour week for bakery employees. The Court ruled that the law was a "meddlesome interference" with business, concluding that the regulation of work hours was an unjustified infringement on "the right to labor, and with the right of free contract on the part of the individual, either as employer or employee" (Kens, 1998).

At-will Employment

Historically, employment law has typically limited an employee's right to challenge an employer's unfair, adverse or damaging practices. The law has generally denied effective redress to an employee who is treated arbitrarily, unless the employee is represented by a union or has rights under a written employment contract. Absent these two conditions or a statutory provision, the general rule has been that an employee or an employer can terminate the employment relationship at any time, for any or no reason, with or without notice. This rule forms the core of the "at-will" employment doctrine (Lorber, 1984). The at-will doctrine was articulated and refined by U.S. state courts in the 1800s. It provided employers with the flexibility to control the workplace by terminating employees as economic demand slackened. For employees, it provided only a simple way of leaving a job if a better employment prospect became available or if working conditions were intolerable. The value of this so-called benefit for employees fluctuated greatly, depending on the availability of employment, but it often left no effective recourse for wrongfully terminated employees.

Courts and legislatures have modified the at-will employment doctrine. A public policy exception recognizes that an employee should not be terminated because the they refused to act in an unlawful manner, attempted to perform a duty prescribed by statute, exercised a legal right, or reported illegal conduct in the case of "whistle blowing" (Miethe, 1999). In fact, at-will employees may be protected even if no written contract exists. Many state courts now recognize employee rights that are contained in personnel policies and employee handbooks. An employer must follow the rules for firing an employee that are set out in the handbook or manual, or risk a lawsuit for wrongful termination. If an employer terminates an employee in these cases, the employer must be prepared to show "good cause" for the firing. With the many Federal and state statutes that forbid discrimination in the workplace, the employer frequently has the burden of demonstrating a non-discriminatory reason for firing an employee. Good cause for such termination can include inadequate job performance, job-related misconduct, certain types of off the job conduct and a company’s specific business requirements related to poor economic conditions or a changing business plan.

Labor Improvements

The U.S. labor movement's persistent attempts to break free of the liberty of contract or at-will doctrine ultimately led to major changes in employment law. Since the 1950s, the Federal government has led the way in providing employees more rights concerning the employment relationship, including the Federal government's main tool in workplace safety, the Occupational Safety and Health Act of 1970 or OSHA (29 U.S.C.A. §§ 651--678 [1988]). OSHA attempts to balance the employee's need for a safe and healthy working environment against the employer's desire to function without undue government interference. OSHA issues occupational safety and health standards, and employers must meet these standards or face civil and, in rare cases, criminal penalties. This sounds better in theory than in it works in practice because the number of actual inspections that occur is very small. Also, there are few OSHA inspectors and even fewer employees who will blow the whistle on any but the most serious infractions by large corporations (Johnson, 2002).

When an employee is injured on the job, he or she may file a compensation claim with the state workers' compensation system. Prior to World War I, an injured employee had to sue his or her employer in state court, alleging a tort violation. This course of action rarely proved successful, since other employees were reluctant to testify about poor working conditions and risk the possible loss of their jobs. Without witnesses, the injured employee had little chance of recovery. In addition, employers were protected by legal defenses to negligence that frequently allowed them to avoid liability, since it was difficult to prove that they knowingly permitted dangerous conditions to persist. Dissatisfaction with this unfair situation led the states to enact workers' compensation laws, which set up an administrative process for compensating employees for work-related injuries. These insurance systems provide compensation while a worker is physically unable to work due to temporary disability, sponsor retraining if the employee can no longer perform the same job and provide compensation indefinitely if the worker has been severely injured and is totally disabled.

Since the 1960s, employment law has changed most radically in the protection it gives employees against discrimination in the workplace (Walsh, 1995). Although the Federal government banned racial discrimination during the making of contracts in the Civil Rights Acts of 1870 and 1871 (42 U.S.C.A. §§ 1981, 1983), the Federal courts narrowly construed the provisions to prevent their being used in the employment arena. Not until the 1970s did Federal courts allow these provisions to be applied to complaints of discrimination by individual employees

(McDonald v. Santa Fe Trail Transportation Co., 427 U.S. 273, 96 S. Ct. 2574, 49 L. Ed. 2d 493 [1976]). Federal legislation in the 1960s provided employees more avenues to challenge alleged discrimination. The 1963 Equal Pay Act (29 U.S.C.A. § 216 d) requires employers to pay men and women equal wages for equal work. The Civil Rights Act of 1964 (42 U.S.C.A. § 2000e et seq.) contains broad prohibitions against discrimination on the basis of race, color, religion, national origin or sex. Discrimination against persons aged forty and over was banned in 1967 by the Age Discrimination in Employment Act (29 U.S.C.A. § 621 et seq.). Major amendments to the general civil rights acts were passed in 1972, extending coverage to Federal and state employees. In 1978, further changes clarified the protection of pregnant women, and in 1991, Congress overruled a series of decisions by the Supreme Court that had restricted the scope of Federal anti-discrimination statutes. In 1990, Congress enacted the Americans with Disabilities Act or ADA (42 U.S.C.A. § 12101 et seq.), forbidding discrimination against qualified individuals with disabilities and requiring reasonable efforts to accommodate persons with disabilities in many situations.

The issue of defamation also affects employment law. Defamation is subdivided into the torts of libel, which involves written communication, and slander, which concerns speech. Liability for defamation may occur if an employer makes a statement about an employee that is false and hurts the reputation of the employee. Many employers have been successfully sued for defamation because they communicated unfavorable employment evaluations for their former employee. As a result, employers are reluctant to give more than a basic employment history when asked for a job reference. However, many states have enacted "good faith" job reference laws, which protect employers who divulge employee job performance information to a prospective employer as long as it is factual (Waerdt, 2003).

Regulation of Employee Benefits

The Fair Labor Standards Act or FLSA (29 U.S.C.A. § 201 et seq.) imposes minimum wage and overtime standards on most employers. The minimum hourly wage is a means of ensuring that a full-time worker can maintain a minimum standard of living, but is revised so infrequently, that it is barely a minimum standard of living. Overtime standards mandate that an employer pay employees at least time and a half for working more than forty hours per week. The Federal government regulates employee benefit plans under the Employee Retirement Income Security Act or ERISA, passed in 1974 (29 U.S.C.A. § 1001 et seq.). Title I of the Act provides rules with respect to participation, vesting and funding of benefit plans, fiduciary responsibility, reporting and disclosure as well as administration and enforcement. Title II of the Act contains tax law provisions as amendments to the Internal Revenue Code of 1954 (26 U.S.C.A. § 401 et seq.). Title III deals with jurisdiction, administration and enforcement

(29 U.S.C.A. § 1201 et seq.). Title IV created the Pension Benefit Guaranty Corporation and established a system of employee plan termination insurance (29 U.S.C.A. § 1301 et seq.). ERISA does not require an employer to provide employee benefit plans. However, if an employer sets up a qualified plan (one that meets ERISA's standards), the employer can take a tax deduction for the employer's contribution, but must offer the plan to all employees. The employer can also deduct the full amount of an employee group health plan that meets tax code standards. The Family and Medical Leave Act of 1993 or FAMLA (29 U.S.C.A. § 2601 et seq.) established the right of employees to take unpaid leave for family reasons. FAMLA applies to employers with fifty or more employees. It entitles an employee to take up to twelve weeks of leave during a twelve-month period because of the birth of a child by the employee, the placement of a child with the employee for adoption or foster care, the serious health condition of a family member of the employee or the employee's own serious health condition. This Act is now being challenged by employers in the courts (King, 1999). Age discrimination,

civil rights, disabilities, e-mail and privacy, employment at-will, gay and lesbian rights, labor law, labor unions, pensions, sex discrimination, sexual harassment and whistle-blowing are all current issues being discussed in relation to employment law.

State Court Interpretations of the At-will Employment Doctrine

In the 21st century, the biggest threat to employee protection comes from the state bench. In the Crenshaw v. Bozeman Deaconnes Hospital case, the majority held that "employers can still terminate untenured employees at will and without notice [but] simply may not do so in bad faith or unfairly" (Reynolds & Reynolds, 2002). The supreme courts of California and Michigan, long-time innovators in restraining dismissals, have recently hesitated to take at-will exceptions to their logical conclusion, namely, a just dismissal regime. In Foley v. Interactive Data Corporation (1988), the Supreme Court of California denied the tort remedy for violation of the good faith doctrine, and in Rowe v. Montgomery Ward (1991), the Supreme Court of Michigan found that employers' verbal statements and handbooks do not create an expectation among employees that dismissal is only for cause.

Employment-at-will dominated other potential terms of exchange because it was efficient. The reasoning was that if an employee can be dismissed at any time and for any reason, then the employee has every reason to be highly productive and compliant. Productive employees typically have little to fear from arbitrary dismissal, since profit-seeking employers have little reason to dismiss them. This of course, gives no power to the individual who is dismissed for other reasons, even though they may be highly productive. It behooves the employer to embrace employment at-will and avoid long-term contracts with employees. Outside of union and government employment contracts, which provide built-in protection for the employee, most employees serve at the employer's whim.

Marvin Levine, a management professor at the University of Maryland, believes that the 1908 U.S. Supreme Court defense of the at-will doctrine in Adair v. United States erred. "Implicit in it's reasoning was the assumption that employer and employee had 'equal power.'' Yet the employment-at-will doctrine favored employers more than employees" (Levine, 1985). Levine argues, "the percentage of private sector workers enjoying protection against arbitrary dismissal is declining." This is true because the number of private sector employees working under collective bargaining agreements has been declining. Growing numbers of non-union workers are employed under agreements that are at-will, except for specific protections granted by Federal legislation. Levine laments that employers are still free to fire workers for other than just causes, and notes that "it is precisely these 'other causes' that have prompted recent judicial scrutiny." Critics such as Levine have repeatedly charged that the employment-at-will doctrine is anachronistic, archaic and unfair to workers. As University of Chicago law professor Richard Epstein has noted, "It is one thing to set aside the occasional transaction that reflects only the momentary aberrations of particular parties who are overwhelmed by major personal and social dislocations. It is quite another to announce that a rule to which vast numbers of individuals adhere is so fundamentally corrupt that it does not deserve the minimum respect of the law. We are dealing with the routine stuff of ordinary life; people who are competent enough to marry, vote and pray are not able to protect themselves in their day-to-day business transactions" (Epstein, 1995), (Donohue, 1997), (Goldberg, 2002).

The second contract exception to the at-will doctrine, the covenant of good faith and fair dealing, is potentially the most far reaching for employee protection. It has also been classified as a tort, meaning a civil wrong recognized by law as grounds for a lawsuit, rather than a breach of implied contract. A broad application of this doctrine would destroy what remains of the at-will regime, replacing it with a regime of termination for just cause only, but Texas courts have so far rejected the good faith covenant in employment relationships. In the 1979 case, Watson v. Zep Manufacturing, the plaintiff argued "job security is so important to workers individually and to economic and social welfare generally that the law should impose a duty on employers to deal fairly with workers in terminating their employment, and not to discharge them without cause" (Reynolds & Reynolds, 2003). The defendant countered that the ability to discharge employees at will was an important management privilege and that its denial would sacrifice operational efficiency, impair management confidence in worker loyalty and deter management from pruning marginal workers. The court ruled in favor of the defendant, Zep Manufacturing.

The Private Tort Exception

The final cause of action for wrongful discharge arises under private tort law (Scaros, 1999). Tort remedies include not only the economic damages awarded for breach of contract, but also punitive damages and those for emotional distress. Multi-million dollar awards are usually the result of these add-on remedies, if an employee can afford the high cost of fighting a legal battle with a business that has easy access to attorneys. The good faith doctrine is best applied to suppress opportunism, taking advantage of the vulnerabilities of another party created by the sequential character of contractual performance. Since no one puts himself at the mercy of another party voluntarily, the parties may find it economical to specify forbidden "bad faith" acts under warranted circumstances. Another word for opportunism is monopoly, or a one-sided situation. Perhaps the clearest examples involve abuses of fiduciary trust relationships, where an agent fails to act in the best interest of the principal.

Private tort causes are of three types: (1) a prima facie tort, (2) intentional interference with performance of a contract and (3) intentional infliction of emotional distress. Private torts are the least important grounds for exceptions to at-will employment relations. Ordinary dismissals, for example, cannot support a claim of intentional infliction of emotional distress. In Texas, the plaintiff must demonstrate (1) that the conduct in question was intentional, (2) that the action constituted extreme and outrageous conduct, defined as "atrocious and utterly intolerable in a civilized community" and in which a recitation of the facts to an average member of the community would lead him to exclaim, "Outrageous!" (3) that the plaintiff suffered emotional distress and (4) that the distress was severe In Ugalde v. W.A. McKenzie Asphalt from 1993, a supervisor repeatedly referred to Artemio Ugalde as a "wetback" and a "Mexican," but the court ruled that as a matter of law the supervisor's conduct was not extreme or outrageous. Insults and name calling, no matter how offensive, are insufficient in themselves to constitute intentional infliction of emotional distress.

Economic Consequences

Eight states, including California, Alaska, Arizona, Connecticut, Idaho, Massachusetts, Montana and Nevada, adopted all the new exceptions to at-will employment in the 1980s. These state courts' attack on at-will employment regimes has had much the same economic impact as the imposition of state mandates intended to benefit workers. Supporters of such mandates argue that private businesses should be forced by either the legislature or the courts to provide employees with a wide range of benefits, including health insurance, parental leave, child care, disability leave, retraining, plus job security and dismissal rights. The real issue comes down to worker insecurity. The "Great American Job" is gone (Fraser, 2001). The conventional wisdom maintains that job tenure with the same company has declined over the last 20 years. Independent contracting and the temporary worker industry continue to expand vigorously. Temporary workers allow employers to avoid the high non-wage costs of permanent employees, including expected wrongful dismissal suits (Pepe, 1987). Surveys show that many firms have had experience with wrongful discharge litigation, with 80 to 90 percent of suits settled out of court. Of course, most firms have reviewed their personnel practices and taken low-cost measures to reduce their expected liability, especially on implied contract grounds, either by making explicit statements that employment is at will or having employees sign at-will agreements.

Once again, American businesses and labor markets react to minimize the social costs of bad rules, but one bad rule after another takes its toll. Recent statistical studies by Gerry Scully (Reynolds & Reynolds, 2002), management professor at the University of Texas in Dallas, show that economic growth and effectiveness depend strongly on organizational rules. National economies can be thought of as enormous firms. The efficacy of a firm depends on its internal reward structure and so does that of a nation. The fact that the U.S. economy performed so well for so long through the 1990s made it appear that it could absorb any abuse and still deliver the goods (Ermann, 1978/2002). However this may no longer be the case.

Public Sector Maximization and Private Cost Minimization

In the business sector of a free market system, the necessities of market rivalry ensure that every entrepreneur must control costs so they are less than the actual value of his goods or services if the business is to remain profitable and competitive. In addition, if the costs of a company's products are higher than its competitors without producing any added value for the consumer, it may very likely be headed for bankruptcy. A business innovator who can provide added value or new benefits to a product that appeals to the market, while still keeping costs under control, will acquire enough wealth to get the same raw materials in bulk at less cost, leading to greater profits. Successful entrepreneurs are able to purchase more raw materials for their companies while still putting funds into the development of superior products. In this manner, competition and the profit motive keep the entrepreneur constantly searching to develop innovative products while providing lower prices to the consumer than their competitors (Wheelan, 2001). Profit margins indicate to the entrepreneur which goods the consumer is interested in buying, which innovations they need to initiate or surpass and where prices need to be set. Falling profits demand that costs be cut to avoid losing ground to competitors. Many theorists believe the collapse of the Soviet Union's economy demonstrated what happens when the profit incentive is absent (Jeffries, 1996). In such an uncompetitive environment, a manager may be given a salary bonus for producing more products, but if there is no money for the consumer to buy these goods in a controlled economy, they will not sell, since they do not satisfy consumer need for affordability.

Unlike the free market, in the government beaureaucracy, incentives drive managers to produce their services at the maximum cost. Bureaucrats, even with perfectly good intentions to perform efficiently, know that the size of their budget, workforce and power are what is important, not the success or failure of their programs. They are not forced to take into account private sector competitors, and there often are none. The major predictor for yearly budgeting in bureaucracy is the amount of the previous budget (Schick, 2000). With this indicator as the primary benchmark for future budgets, it benefits the bureaucrat to maintain a high level of spending. Our government encourages this behavior by continuing the practice of budgeting at or near wartime spending levels to ensure preparedness for potential military conflicts even during peace time years. In this way, the military-industrial complex, as expressed by the government bureaucracy, maintains a high level of expenditure in relation to non-military items such as health care, education and infrastructure maintenance.

If government bureaucrats inadvertently minimize the costs of delivering their services, they will likely experience disincentives in the form of budget reductions, a loss of departmental reification and a decline in staffing. Criteria that dominate governmental decision-making are projected spending levels, perceived prioritized need, administrative power and seniority, as well as the attendant administrative conveniences or perquisites. Bureaucrats with little or no competition often do not know to what extent their services are needed or how they can be efficiently delivered (Mukerjee, 1990). When the government expands unnecessarily, innovation can become stifled and resources wasted through inefficiency. In the private sector, such inefficiency typically dooms an enterprise to failure. Every day throughout the United States, businesses fail because they cannot provide affordable goods or services in a manner demanded by consumers. Without the same competitive pressures, it is quite rare that a government program is completely eliminated. Public sector bureaucracies continue to spend more and more at the ultimate expense of tax-paying consumers, workers and producers, resulting in anemic job growth and poor economic performance (Garfield, Reed, Senior Economist, "The Impact of the Welfare State on the American Economy," Joint Economic Committee, Washington, D.C., December 1995 and "The Impact of the Welfare State on Workers, Joint Economic Committee," Washington, D.C., March, 1996).

In addition to these bureaucratic inefficiencies, the United States has embraced commodification and consumerism at the expense of the future of education, the health of the planet and the quality of our infrastructure (Baudrillard, 1998). It is still possible to imagine a vision of democracy where citizens can work together toward denying corporations the rights of individual personhood with its attendant abuses, but the military-industrial complex and government bureaucracy will resist its realization. Our economic system could and should be interrelated. Entrepreneurs need workers, and workers need work. Citizens of this country are not members of a truly democratic society in the workplace or in our political lives, where we lack the easy access and influence of the wealthy special interest groups, who control the so-called liberal media and set the economic and political agenda (Alterman, 2003).

The Political Influence of the Military-Industrial Complex

In the past fifty years, politics in the United States have continually shifted to the right (Gold, 1992). The records of two 20th-century Republican presidents, Dwight Eisenhower and Richard Nixon, challenge any hypotheses to the contrary. Eisenhower sent troops to ensure that schools were integrated and enacted public works programs, such as the interstate highway system, on a scale not seen since. Public health was enhanced with the massive polio vaccine campaign. After Sputnik was launched, there was a substantial flow of Federal funds to local schools for science education. The only Democrat since Franklin Delano Roosevelt with a comparably liberal record of accomplishment was Lyndon Johnson, with the passage of Medicare and the 1964 Civil Rights Act. Nixon took stands that might be seen now as radically left wing even among Democrats. He did, though somewhat reluctantly, enforce court-mandated school busing and promote quota-hiring plans to address long-standing racial inequalities. Nixon also attempted to secure the quality of our air and water with the Environmental Protection Agency, apportioned Federal funds to support state and municipal welfare programs and even considered the concept of a guaranteed annual income for each citizen (Phillips, 1995).

In his 1961 farewell address, Eisenhower gave his well-known warning against "the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex" (Walker, Bella, & Sprecher, 1992). Eisenhower recognized the deleterious effects of maintaining the huge defense establishment, which had been created to fight World War II and then continued to exist because of the Cold War. "This conjunction of an immense military establishment and a large arms industry is new in the American experience," he said. "The total influence - economic, political, even spiritual - is felt in every city, every State house, every office of the Federal government." Most historians suggest that Eisenhower's primary concern was budgetary, because the military, its allied contractors and the appropriators in Congress all shared an interest in foreseeing potential dangers and then building weapons to offset these projections. Even Eisenhower acknowledged, "We recognize the imperative need for this development" (Dwight David Eisenhower, Farewell Address to the Nation, January 17, 1961).

As Eisenhower's descriptive phrase entered the vernacular over the following years, its meaning changed. When people worried about the growth of the military-industrial complex in the 1960s, they were talking about the actual peril of going to war. Much of the reason for this concern was due to men like General Curtis LeMay, the model for the Sterling Hayden character in Stanley Kubrick's "Dr. Strangelove, or How I Learned to Stop Worrying and Love the Bomb" (Rasmussen, 2001). In the 1940s, LeMay directed the firebombing of Tokyo, which rivaled the death toll of Hiroshima. As head of the Strategic Air Command, he advocated the use of nuclear weapons against China to end the Korean War. He had plans drawn up for a preemptive nuclear strike against the Soviet Union. As late as the 1960s, as Air Force Chief of Staff, he recommended a nuclear attack on Cuba to neutralize the Soviet missiles that precipitated the Cuban missile crisis.

In the Vietnam era, the military-industrial complex was a shorthand reference to corporate interests like Dow Chemical that continued to profit from the war even as the number of American lives lost mounted. In recent years, and with a more cautious approach to overseas troop commitments, the military-industrial complex has returned to the exact philosophy that concerned Eisenhower. It does not matter whether weapons are used or usable, as long as they are purchased (Singer, 2003). Since the United States has ended up with so much more imposing a military force than any current enemy, perhaps the military-industrial complex should be lauded for assuring our collective security. The problem is that the Federal government no longer has enough money or intelligence gathering ability to absolutely prevent future attacks, much less to fund state and local homeland security efforts. The political problem arises with the distortion of the process for public choice. The term "political engineering" describes the active dispensing of defense contracts to corporations operating in the districts of influential members of Congress (Sowell, 1996). The more the perquisites of senators and representatives are factored into these arrangements, often provided by these same corporations, the harder it is for Congress to make decisions other than those informed by the pork barrel projects that frequently influence each voter's perception of power. The most profound source of concern may be what Eisenhower called the spiritual or corrupting effect on the uniformed military, through their alliance with corporate contractors. Most career soldiers leave the service by their mid-40s. Almost all look for a second career, and the most lucrative opportunities are with defense industries. The United States has reverted to the situation that existed when Eisenhower left office, with a renewed appreciation of the problem posed by the military-industrial complex and a recognition of his sage advice that "only an alert and knowledgeable citizenry" could bring it under control (Fallows, 1981). To quote again from the farewell address of our 34th president, "In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex." (Dwight David Eisenhower, Farewell Address to the Nation, January 17, 1961).

CHAPTER V

MANAGERIALISM AND ITS CRITICS

In the United States, the Great Depression and World War II led to the managerial revolution (Chandler, 1980). The separation of ownership from labor had already given rise to corporate managers, whereas government intervention in the economy to counteract the depression and prosecute the war effort often empowered Federal bureaucrats. The United States had considered a planned economy, using the ideas of communism or, at least socialism, but many others were afraid of following the example of Karl Marx and Vladimir Lenin to solve the problems of inequality. It was widespread socioeconomic inequality that caused critics of corporate dominance in our society, such as Thorstein Veblen, and later, John Kenneth Galbraith, to condemn the social disruption this caused.

Thorstein Veblen: Socioeconomic Inequality and Barbarism

One of the first intellectuals to write about the modern American economy was Thorstein Veblen of the American Institutionalist School. He put forth the thesis that the society of the United States in the nineteenth and twentieth centuries displayed socioeconomic qualities similar to earlier barbaric stages of the social evolutionary process. He called these dysfunctions, exhibited by industrialized societies, "industrial barbarisms."

> This is a form of society wherein which modern, mechanical industry, exists within a culture under heavy barbarian influence. Insofar as barbaric values dictate the methods by which industry is managed, the purposes for which it is used and the criteria for determining its products, industrialism under barbarian oversight might be classified as a form of economic barbarism. (Pena, 2001)

In Veblen's work, barbarism defines a society that is warlike, competitive and exploitative. He then goes on to contrast this with savagery, an egalitarian tribal society where cooperation for the good of the group is valued. The fundamental class difference with the barbarians was between the working class and the leisure class. He believed that the working class strives to pursue its labors for the good of the community, while the leisure class preys upon that community for self-interested consumption and excessive commodification. The idle rich despised labor as servile and shameful, seeking only wealth and power. They generated more from their investments and property holdings than they could consume, and defined personal status by their conspicuous consumption. They searched for social position, by identifying with whatever cultural capital was in vogue with others of their class, such as the high-class pursuits of the opera, symphony and fancy dress balls. These missions were often accompanied by no actual appreciation of the sought-after objects or events, other than as a badge of class distinction. A mere appearance at these elaborate activities, decked out in the latest designer duds and duly noted by the fashionistas of the day, is what was truly valued. A reading of many of the novels by Henry James or Edith Wharton captures the psychology of this class, where an important sign of high culture for even relatively small towns was the possession of an opera house. In film director Werner Herzog's "Fitzcarraldo," Brian Sweeney Fitzgerald, known as Fitzcarraldo to the native Peruvians, is an avid opera lover and European rubber baron who dreams of building an opera house, in his obsession to bring culture to the Peruvian jungle (Corrigan, 1987).

Veblen defined three pursuits of the leisure class (Veblen, 1899/1994). The first was pecuniary emulation, which described the urge to surpass the wealth of one's peers. The second, conspicuous leisure, is the flaunting of wealth through displays of extravagant idleness, such as lavish parties, of travel to Europe, now Eco-tours, and listing in exclusive social registers. The Third was conspicuous consumption or the drive to surround oneself with the most expensive and exclusive possessions, which are, of course, unavailable to all but the wealthiest individuals.

While one is reminded of the original Robber Barons, it is as if they had been reincarnated in the 1980s during the era of junk bonds, leveraged buyouts and Wall Street mergers and acquisitions, and again during the recent dot.com bubble. Veblen described a completely different use of wealth that would seem old-fashioned and overly conspicuous to many modern entrepreneurs (Bruck, 1989). The rich copied a lifestyle and pattern of social behavior and consumption similar to the members of a royal court, as with the European nouveau riche who sought to emulate the trappings and manners of royalty (Josephs, 1962). This behavior evolved into an entirely new type of conspicuous leisure, as reinterpreted by the new entrepreneurial class, the dot.com millionaires of the Silicon Valley set (Kaplan, 2000) and the politically correct "Bobos" - shortened from bourgeois bohemians of the past millennium (Brooks, 2000). This group sees itself not as the idle rich, but as "cultural creatives" (Paul, Ray, & Anderson, 2001) and "early adopters." (Peris, Sans, & Peris, 2002), (Florida, 2002). Still, their activities and accoutrements are something of a repackaging of the Robber Barons' cotillions without fancy dress. It is far more fashionable for the super rich of the current era to make voluntary charitable donations, having learned from the experience of John D. Rockefeller, who was advised by Andrew Carnegie, a genuine philanthropist, to rehabilitate his tarnished image through generous contributions to the public good, while continuing to engage in business as usual.

From 1860 to the early twentieth century, the Robber Barons, who had reached the heights of business dominance by force and fraud, were also at the top of society. Veblen hated these industrialist barbarians, particularly because he felt they suppressed ingenuity and productivity by smaller companies to secure profits for their own pleasure, while monopolizing entire sectors of the economy. They indulged in competitive games among their peers, as did their permissive emulators in the 1980's, trying to see who could amass the largest fortune by employing the most questionable, if not outright illegal methods. Industrial barbarism preceded the full flowering of each industry's technical prowess in the unregulated business environment that existed toward the end of the nineteenth century. Although it is true that the resulting widespread distribution of consumer goods increased overall prosperity, it also created a huge chasm between the standards of living for the top and bottom strata of society. As a capitalist economy, the United States has historically been caught between free market competition, with its chronic booms and depressions, and business consolidation resulting from monopolistic practices, with its high prices and lack of innovation. This left the country in the middle of a bifurcation fallacy for years, embracing the binary political argument that we must be socialists or capitalists. Intellectual activists and the poor began to explore the socialist solution of government intervention, while corporate chieftains and the rich thought the solution was free market capitalism. Neither opposing groups practiced either philosophy in its pure form, but each believed there must be one outcome and one alone. In actuality, the United States has always tended to institute a hybrid of political and economic solutions (Pirie, 1985).

Managerialism promotes neither democracy under capitalism nor socialism, and it has not proved to be a successful solution to socioeconomic inequality. It evolved in response to the Robber Barons desire for more leisure time, and the numbers of managers who did not actually own the companies they ran expanded rapidly because of the serious social and economic disruption caused by the Great Depression and World War II. When President Roosevelt and his chief economic advisor, John Maynard Keynes, seized extraordinary powers during the Depression to revitalize the economy, people who wanted the unregulated practices of capitalism restored feared the increasing size of government. Many economists were dismayed by these progressive programs and warned against the dangers of social welfare as an intervention in the budgetary process, which would increase spending and lead the United States down the path of socialism. The ascendancy of the New Deal enhanced the rise of managerialism, as the Roosevelt administration attempted to reverse the effects of unrestrained economic barbarism with government initiated planning and job-creation programs (Burnham [1941] 1960).

The British economist, John Maynard Keynes, whose fiscal and monetary policies guided the United States until the early 1980s, believed that dramatic governmental intervention was necessary when a country was having serious problems with its economy. Most economists of the era rejected Keynes idea of spending in deficit times as they favored balanced Federal budgets. Most politicians did not understand his theories, believing also in the necessity of balancing the budget. In 1938, the Depression deepened and Roosevelt reluctantly embraced the only new idea he had not tried yet. The President turned toward Keynes for guidance and then explained to the public, in one of his famous fireside chats, "We suffer primarily from a failure of consumer demand because of a lack of buying power." It was therefore up to the government to "create an economic upturn" by making "additions to the purchasing power of the nation" (Sackrey, 2002). Yet, it was only after the U.S. entered World War II that F.D.R. applied the theories of Keynes on a wide scale to try to pull the nation out of the doldrums. Roosevelt had little choice, but the biggest surprise was just how productive America could be when given the chance. Between 1939 and 1944, the peak of wartime production, the nation's output almost doubled, and unemployment plummeted from more than 17% to just over 1%. Never before had a fundamental economic theory been so dramatically tested. The idea of deficit spending as a tool to stimulate the economy proved to be an effective alternative to the economic stagnation of the Great Depression. Even granted the special circumstances of World War II, it seemed to work exactly as predicted. The grand experiment even won over many Republicans party members. America's Employment Act of 1946 codified the new wisdom, making it "the continuing policy and responsibility of the Federal government... to promote maximum employment, production and purchasing power" (Santoni, 1986).

Under Roosevelt's dynamic leadership, the New Deal also greatly expanded the power of the presidency over the Federal government. Many new programs were implemented, including a rudimentary social welfare system, farm subsidies, as well as legal protections for union organizing and collective bargaining, all of which would have previously been blocked by those advocating traditional American individualism, economic barbarism and strictly balanced budgets. As the postwar U.S. economy boomed, the government became the nation's economic manager and the president its Manager in Chief. It became accepted wisdom that government could "fine-tune" the economy, pushing the twin accelerators of fiscal and monetary policy in order to avoid slowdowns, and applying the brakes when necessary to avoid overheating. In other words, the government saved its tax revenues when the economy was good and did not hesitate to practice deficit spending when it was not. Keynes did not believe that corporations did much to help relieve these boom and bust cycles. To the contrary, Keynes saw it as the government's responsibility to manage the economy and intervene as necessary.

James Burnham, author of the 1941 political and socioeconomic work, *Managerial Revolution*, predicted an eventual thawing of economic barbarism into managerial democracy, in which the state would relinquish its dominion and use charismatic, all-powerful executives and administrators to rule with limited powers. Burnham was anxious to stress his conviction that managerial democracy would further the ruling class's interest in public harmony and progress. Managerial democracy would not confer political power to the populace. Practicing pacification through distraction, similar to deTocqueville's soft despotism, it would tolerate various lifestyles, religions, philosophies and even different ideologies, but it would not allow the public to make political decisions. Democracy in this sense would be a safety valve for the control of social anxiety. This type of mass democracy would accentuate individual consumerism and the enjoyment of leisure. Its aim was to secure power by encouraging the risk-free indulgence of creative impulses that might otherwise be channeled into acts of dissent against managerial rule (Burnham [1941], 1960).

Critics on the political left were dissatisfied with the New Deal for not going far enough, since it preserved the "capitalist framework" of private property, wage labor and private investment (Leuchtenburg, 1968). To them, the New Deal was at best a contradictory set of policies that attempted to conserve the power of big businessn and to protect the economic status of the upper and middle classes, but also to ensure labor some bare minimum standard of economic safety. These critics were disgusted by the New Deal's refusal to side wholeheartedly with workers in the battle between capital and labor, a refusal, in their view, that would be guaranteed to increase the inequalities of wealth On the other side of the political aisle, conservative criticisms were typified by Herbert Hoover's 1936 indictment of the New Deal for using "coercion and compulsory organization" to undermine free institutions, fixing prices and coercing farmers with economic planning. Some believed it also centralized too much power in Washington at the expense of state and local governments, embarking upon "stupendous" spending programs, pitting the government in business competition against its citizens and inflating the currency (Barber, 1989).

Managerialism, as it evolved under the New Deal, was both a process and an ideology. With managerialism, the most important operating unit of society is neither the individual nor the nation state. The focal point of the economy became the organization, both profit and non-profit corporations. The managerialist process is carried out through the organization, with the manager functioning as the representative of the organization and organizational subunits. Managerialism represented a deep shift in industrialized societies, not just as a periodic perturbation in a steady state system, but also as a new paradigm that was neither atomistic nor organic in its view of society, comprising an attempt at rapprochement that realized these forms needed an integrating philosophy that surpassed both viewpoints. In organizations, the workers in units or various subsections do not always interact with those of other units to make decisions, but are represented by managers who may or may not know each other. In recent years, teleconferencing has been used increasingly frequently to reach decisions. Society is moving further from rich communication to a shallow form of contact where problems are confronted and important decisions made with little or no individual responsibility (McChesney, 1999). These remote transactions are made by non-profit organizations as well as profit making corporations, and managerialism involves all these actors working together to make social and business decisions. During these negotiations, managers often attempt to realize their own goals by advancing the agenda of their units, ignoring the overall goals of the organization and losing sight of social objectives in pursuit of their own narrow interests. Burnham believed that managers were privileged with regard to income distribution (Kelly, 2002), (Burnham, 1972). Managers placed themselves at the top of the income ladder, and the rest of the professional class benefited from the coattail effect that they created.

The threat of managerialism is the strong challenge it presents to the precepts of democracy as well as the power it bestows upon the individual manager or special interest group, frequently to the detriment of the worker and, more broadly, of the voter in deciding social policy (Melman, 2001). Managerialism insures that only those who have vested interests are generally represented at decision-making proceedings, and that they are typically interested in their own well-being ahead of others or society at large. The recent corporate scandals in the United States exemplify the damage that can be done to democracy, through the financial devastation unscrupulous managers can inflict on their own employees, shareholders and the entire investment community because of declining investor confidence. In large part, it is the government's past practice of giving short sentences to misbehaving corporate chieftains and assessing fines that are fractions of the monies stolen or profits illegally made, which allows the powerful to retain much of their ill-gotten wealth and corporate responsibility to flounder. Not surprisingly, it is many of these same corporate managers who fund political campaigns, supporting favorable policy and legal decisions for themselves and their organizations through the corrupting influence of money, issue ads, fundraising and the like (Parker, 2002).

There are usually contributing indicators that reveal the relative power of managers and their firms as they enter into the bargaining process with other managers. The "alpha" firms have considerable advantages related to the following: Membership size - the more members an organization has, the more power, and the more management can call on unrestricted wealth, the more power they have in transactional debates, organic behavior - the more power an organization has, the more it will respond as a team and as a well-managed group. Management can overcome many obstacles and deficiencies, and a good public relations campaign can promote an organization's public image and disguise weaknesses while exposing competitors' problems.

In his famous trilogy on economics in the United States, John Kenneth Galbraith delivered a withering indictment of what he perceived to be the defects of managerialism (Galbraith, 1973/1983, 1973/1984, 1967/1985). This was accompanied by a set of proposals for reforming managerialism to make it better serve his conception of the public good. His chief indictment in "The Affluent Society" is that managerialism has created an imbalanced society that fails to achieve equilibrium between the pursuit of private affluence and the promotion of public welfare. Galbraith argued that the source of this social and economic imbalance is the domination of large corporations by a controlling group of managers, technicians and other educated workers who bring specialized knowledge to business. Galbraith's name for this group was the technostructure. The technostructure had a stake in preserving a managerial system that channeled an unreasonably large share of the nation's resources into the production and marketing of consumer goods. Through its dominant position in this system, the technostructure secured its own social capital.

The practice of the technostructure is dissimilar to the utopian visions of left wing ideologues, which hold that economic and political egalitarianism and democratic control of industry are necessary conditions of socialism.

This may include, but cannot be equated with, the realization of egalitarian distributive ideals. Egalitarianism is certainly not antisocialist, but it is not a necessary condition of socialism. The class of intellectual workers comprising managers and technical specialists occupies the upper levels of the social pyramid. They receive the greatest rewards in terms of salaries, benefits, educational opportunities and working conditions when compared to the production, clerical, and manual workers at the bottom of the hierarchy. The antiegalitarian milieu of the technostructure was a continuation of the tradition of economic barbarism, in that it distributed wealth on the basis of the distinction between intellectual and manual labor.

In Galbraith's view, the managerial society had evolved into the rule of the technostructure over the American people, by virtue of its control over the corporate planning system. In the 1960s, it included approximately one thousand large management controlled firms. By 1974, the heart of the planning system was comprised of two hundred of the largest manufacturing corporations, amounting to just one-tenth of one percent of all manufacturing firms in this country (Galbraith 1986). These corporations possessed enormous economic leverage. During this same period, these largest two hundred firms held two thirds of all assets used in manufacturing and created more than three fifths of all revenue, net income and employment.

The government sector of the technostructure grew rapidly in the twentieth century as well. During the Cold War era, the space and arms races, the Korean and Vietnamese conflicts, and the Great Society programs established by Lyndon Johnson facilitated close cooperation between the state and corporate sectors, extending the reach of government throughout American society. Galbraith noted that this increased government activity was reflected in the growing importance of government spending. In 1929, spending by Federal, state, and local governments accounted for approximately 8 percent of the nation's economic activity. By 1976, it had risen to 22 percent (Galbraith, 1986). Despite this increasing position in the U.S. economy, Galbraith depicted the government as a junior partner in the American corporate state. The corporate sector, in his view, set the overall agenda for American society, including the unabashed consumerism that, with the exceptions of national defense and perhaps space exploration, greatly limited any real political resolve to increase government spending for public welfare.

The Technostructure and the Free Market

The technostructure was powerful enough to end price competition in areas of the market amenable to planning. Its sway on consumer choice was sufficient for it to enjoy reliable demand for its products. The technostructure influenced the nation's legislative agenda and the Federal government's fiscal and monetary policies. Policies were legislated that promoted the steady growth of consumer demand, while moderating the effects of inflation on the cost of doing business. The technostructure thus managed key economic conditions, including consumer choice, aggregate demand, prices and the level of investment. This is how it ensured its continued growth and the prosperity of the managerial class (Galbraith, 1986).

One factor in the technostructure's liberation from market pricing is the replacement of price competition by sales competition. Planning system firms did not drastically undercut one another's prices. There were no longer price wars among major producers of automobiles, oil, rubber and processed foods (Galbraith, 1986). What variance existed was too insignificant to threaten any planning system firm with irreparable loss of market share. The members of the technostructure were insulated from the rigorous price competition that is the hallmark of a market economy. Demand management and freedom from the tyranny of competitive pricing allowed the mature firms of the corporate sector to replace free competition with a managed competition that governs the types of contests to be allowed. The elevation of sales competition to the forefront of concern stimulates efforts to increase the overall demand for technostructure products through advertising, design and packaging innovations.

The mass advertising that was directed at a largely receptive public elevated the products of the technostructure to the level of cultural fetishes. In the affluent society, the failure to desire and acquire these objects became a mark against an individual's personal and cultural capital. The explicit orders of advertising messages and the implicit consumerist values they tout are internalized by the populace, insuring the continued prevalence of private consumption and the neglect of public needs.

Several important economic circumstances clashed with the dominant mindset and created incongruities with the alleged antisocialist nature of the American commonwealth. Although genuine capitalists still existed, they were too poorly funded, disorganized and technologically inept to compete with the technostructure's management of demand and prices, as well as its advanced production and organizational techniques. It is true that private entrepreneurs frequently played vital roles at the early stages of businesses that eventually become large corporations, but once organizational maturity was achieved, the entrepreneurs usually turned control over to managers, since they became rich in the course of their business's evolution and were less skilled at managing a large organization. In this way, salaried managers of large corporations as well as their counterparts in the state planning agencies, exercise decisive economic leadership. This results in a situation where in spite of their supposed philosophical individualism; the American people depend on and demand state intervention to guarantee economic health.

Galbraith recognized the ironies of U.S. capitalism. His term, the "new industrial state," lacked a purely capitalist connotation and some believed he thought it was a euphemism for socialism. It seemed to suggest that, just as in expressly socialist societies, government and industry in the United States were closely related entities. With regard to the government/business convergence, Galbraith asserted that the line separating government from the big corporations was so "indistinct" that the relationship between the aerospace industry and the Air Force was no different than that between the Air Force and the government, interlocking organizations with shared goals (Galbraith, 1967/1985). It can be proven that similar relationships exist between other governmental departments and the contractors with whom they do business.

There have been many kinds of socialism, both in practice and conception, including totalitarian, liberal democratic, authoritarian, monarchical, utopian, scientific, market and marketless, to name a few. Socialism can be found in the ancient Roman practice of panem et circenses[4]. The minimum conditions of socialism

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[4] Panem et circenses, bread and circus games, were the essential elements which kept the Roman plebe quiet. Bread was sought by the poor people but everybody liked the circus games. If a Roman protested, it was more for a question of good taste rather than morality. Circus games were of different types: the

could be met by any socioeconomic order in which the leading role in decisions about the production and distribution of wealth is held by an organization of managerial experts, who wield corporate and state power at the expense of free market forces and private property owners' traditional rights, privileges and prerogatives. Under this interpretation of socialism, the section of society that is under the unquestioned dominance of the technostructure might be called socialist. To the extent that this construct of managerialism dominates the United

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two-wheeled chariot races, loved by ladies; The hunts (Venetians) where armed men faced beasts such as tigers, lions, bears or bulls; the executions of criminals, where the convict people were thrown to wild beasts or left to die with the pretext of a revocation of a myth or a historical event. But the gladiators games were the favorite ones: the fight man to man. The gladiators, were trained become fighting machines, he had to die in the arena. The athletes of these games were slaves, usually heroes of the masses; one of the gladiators revolts, that of Sparticus (73-71 B.C.) was one of the most terrible for Rome.

States, our society can be identified as being somewhat socialist as well.

Donald Hodges has called the United States an example of "socialism without socialists" (Hodges, 1996). Despite the fact that socialist ideology was widely despised in the United States or that no socialist party has held widespread power, American society has been dominated by a group of educated managers who are privileged with regard to social power and the distribution of wealth, using economic planning and social engineering to achieve their objectives in ways not completely dissimilar to those of our former archenemy, the Soviet Union. Managerialism might even fit Joseph Schumpeter's conception of socialism and creative destruction. As for capitalism, Schumpeter clearly believed that it was doomed, notwithstanding the survival of individual freedom and truncated market mechanisms in administrated societies. Capitalism does not simply mean that the housewife may influence production by her choice between floor mops, that the young person may choose whether to work in a factory or on a farm and that the factory manager has some voice in deciding what and how to produce. Capitalism also implies a scheme of values, an attitude toward life, and a civilization of inequality and of maintaining one's fortune at the expense of others in a zero-sum game. Peter F. Drucker argued that American workers owned, through their pension funds in the 1970s, 35 percent of the "equity capital" in American corporations. He concluded that the workers had gained control of the "command positions" of the economy, and the United States had become the first country to realize the socialist ideal of worker ownership of the means of production (Drucker, 1976). It wasn't until the 1980s that the government of the United States did an about-face and turned away from Keynesian planning, moving with renewed vigor to escalate the Cold War arm's race and just as decidedly toward instituting unfettered capitalism under Ronald Reagan.

As one of the leading theoreticians of the free market capitalism that Reagan espoused and an opponent of Keynesian intervention by government in the economy, Friedrich A. Hayek held that socialism is the abrogation of the market by the hierarchical imposition of an economic plan (Hayek, 1994). Indispensable to socialism is the attempt to organize society for the realization of the planners' social ideal, but Hayek felt that totalitarian central planning was not an indispensable condition of socialism. Socialism exists in degrees, with the extreme of totalitarianism only one radical form of many. Hayek's theories would eventually triumph during the 1980s with the policies of Margaret Thatcher in England and Ronald Reagan here. The market was given freer reign, as Hayek believed was necessary, and the portion of the Federal budget for social welfare programs began to rapidly shrink.

Hayek's mentor, Ludwig von Mises believed socialism represented "a completely uninterested system which regulated all prices, wages and interest rates" (von Mises, 1945). This placed full control of production and consumption in the hands of the authorities. The section of the U.S. economy managed by the technostructure would fail to meet this exacting definition of socialism, for it did not control all prices and productive activities. The

United States would instead meet the definition of what von Mises called interventionism. He restricted the term "interventionism" to economies in which the free market was curbed by state intercession. As he wrote, "Interventionism differs from socialism by the very fact that it is still a market economy" (von Mises, 1980/1998). Undoubtedly, von Mises would characterize the American technostructure itself as an agent of interventionism. It is clear that his justification for this distinction in terminology was his narrow, doctrinaire definition of socialism, which required the complete obliteration of unregulated economic activity. His definition of socialism did not allow for degrees or stages of development in which planning exists alongside the free market.

The Lopsided Society

The problem with the free market capitalism of Hayek and von Mises is that it inevitably leads to gross imbalances in the distribution of society's resources. To Galbraith, the problem of minimizing inequality between the market and the planning systems was the most important social question facing America. He considered exploitation of the market system to be a major cause of the lopsided distribution of wealth and the subsequent urban decay, overwork, poverty, unemployment, violence and despair that characterize much of American life outside the technostructure. Galbraith predicted that without measures to minimize the inequalities between these systems, the exploitation of the market would continue to enlarge the substantial differences that exist between America's inner cities and its prosperous suburban enclaves.

Galbraith posited the New Socialism, a plan for ending economic underdevelopment in the market system. Its goal was to minimize inequality between the systems through a type of economic planning that disrupts the flow of wealth out of the market. With the New Socialism, Galbraith hypothesized that the state should help to establish guild socialism in the market system by granting a "general exemption for small businessmen from all prohibitions in the antitrust laws against combination to stabilize prices and output" (Galbraith 1973). He advocated encouraging small business entrepreneurs to form price-fixing organizations. The rationale for this is that price controls will help to stabilize the incomes of market system firms. It gives the market system the same ability to predict and control prices as the planning system. Guild socialism was to be self-organized by small business entrepreneurs. Galbraith was concerned not only with improving the position of market system entrepreneurs, but also with improving wages and working conditions for labor. Toward this end, he advocated government assistance to trade unions in organizing farm workers, domestics and service workers into small enterprises (Galbraith, 1973).

Blueprint for Revolution

Galbraith's solutions to socioeconomic inequality have obviously not been implemented in this country. In 1999, the average CEO earned 475 times the pay of the average blue-collar worker, with 1999 average annual raises of 17% compared to average yearly blue-collar raises of 3.4% and white-collar increases of 3.5%, not counting special year-end bonuses (Collins, Leondar-Wright, Thurow & Sklar, 1999). Adding to the risk of societal instability that may result from such lopsided wealth distribution is a major weakness in the U.S. political system, the excessive size and power of the judiciary and legal profession (Phillips, 1995). Judicial supremacy represents, in Kevin Phillips' view, an usurpation of popular sovereignty, and the proliferation of lawyers has led to the "Balkanization of America," in which individuals and groups are prevented from pulling together by conflicting legal demands and the adversarial attitude that prevails in America's litigious society. There is also a connection between the explosion of lawyers and the proliferation of lobbyists. The two professions exist in a symbiotic relationship, in that successful legislative lobbying is clearly a goal of trial lawyers, and the lobbying profession increases the demand for specialized legal services. The stranglehold on Washington maintained by both groups has turned the U.S. capital into a fertile breeding ground for lobbyists, hair-splitting attorneys, regulatory specialists and legislative procurers of all kinds, often at the expense of the public interest.

Arrogant Capital, the 1995 book Kevin Phillips wrote on this topic, culminated in a list of ten revolutionary proposals for ending "the interest-group hijacking of representative government" and restoring popular sovereignty (Phillips, 1995). The work is discussed here as an alternative to the current political system in the U.S., with growing social and economic inequality at its core. His first proposal was to terminate Washington's position as the seat of the Federal government by scattering federal agencies throughout the country and periodically moving the capital to other cities. The point is to break up the concentration of interest groups, lawyers and lobbyists by dispersing the centers of power in which they congregate and flourish.

Phillips' second proposal was to reduce the separation of powers between the executive and legislative branches, thus paving the way for implementation of a coordinated program of national development, with a minimal amount of friction between the president and Congress. Phillips wants the Constitution amended to permit legislators to serve in executive branch positions without having to resign their seats. He suggests that a member of the president's party should serve as Federal budget director and chairperson of the House and Senate budget committees. The president should also have the power to dissolve the government and call new elections in the event of irresolvable gridlock involving the executive and legislative branches, along the lines of Great Britain's parliamentary system.

The third suggestion was to decrease the importance of representative government in favor of direct democracy and to end the two-party system. Phillips wants important issues like campaign reform and tax policy changes decided by nationwide referenda, utilizing new electronic communication technologies. The two-party system would be replaced by proportional representation that gives any party a seat in Congress if its candidate receives more than a defined minimum of support. To prevent rule by entrenched political careerists, there would be term limits and the right to recall elected officials after one year in office, in a similar manner to the practices of ancient Athens. Finally, the electorate would have the option of voting "none of the above," in effect rejecting all of the candidates on a ballot and thereby forcing political parties to submit candidates who represent voter interests.

The fourth idea concerns what Phillips views as the extremely difficult task of limiting the role of lobbyists and special interest groups. He makes only a few specific proposals, admitting that the attempt to regulate these groups is like shooting paper clips at a tank. He would forbid senators and presidential candidates from accepting campaign contributions from lobbyists and ban these lobbyists from raising money for candidates and serving on campaign committees. A 30 percent tax on campaign contributions would be used to finance elections. In addition, because its members devote most of their time to lobbying activities, the Congressional staff - some 20,000 individuals - should be cut by 30 to 40 percent. Phillip's next proposal involves another formidable challenge, limiting the influence of lawyers and lessening the litigiousness of American society. He advocates gradually decreasing the number of lawyers by limiting admissions to the bar. Also limited would be punitive damages, and legal fees would be capped. The sixth proposal suggests redrawing state and local boundaries in ways that eliminate superfluous units and layers of government. To redress uneven economic, social and infrastructure development, a nationwide common tax would be collected and distributed to states on a per capita basis. Also proposed would be the unification of the United States and Canada. Phillips thinks NAFTA might be a positive step in this direction, but he is leery of its tendency to benefit investors more than workers.

Phillip's seventh idea involves curbing financial speculation and limiting the political influence of the investment community. He suggests a federal tax on financial transactions to reduce the profitability and volume of speculative trading, more government oversight of the Federal Reserve Board and appointment of Federal Reserve Bank officers by the president rather than by bankers and other business leaders. Phillips would like the Federal Reserve to be more responsive to the needs of "consumers, farmers, small businessmen and homeowners" and for politicians to represent the producers of tangible goods and services rather than the financial sector (Phillips, 1995).

The eighth proposal is designed to cushion Americans against the effects of economic globalization. Phillips advocates tax changes to make domestic investment more lucrative than investing abroad and to discourage U.S.

companies from transferring jobs overseas. Cutting jobs just to increase profits and stock prices should be denounced by politicians and penalized with laws requiring corporations to assist communities undergoing massive corporate job cutbacks. The United States should never open its markets to foreign competitors merely in exchange for investment opportunities for American bankers and financiers. In Phillips' view, efforts should be made to buffer Americans against the effects of globalization whenever they are forced into unfair competition with low-wage Asian and Latin American workers.

The rationale for the ninth proposal is to reduce the concentration of wealth. Taxes would be raised on those making $4 million a year or more, with the revenue used to reconstruct the nation's manufacturing economy and neglected infrastructure, among other purposes. This blueprint for revolution concludes with a tenth proposition, to control national and international debt. Phillips wants the debt burden to be borne by those who incur it. In the early 1990s, much of the national debt was the residue from "several hundred billion dollars spent" by the government to bail out failed banks as well as savings and loans. Phillips would have the financial sector pay back these huge bailouts through taxes on transactions and capital gains, as well as penalties for reckless investments and bad loans. He thinks this is more equitable than the typical debt-reduction proposals that move to slash middle-class entitlements, means-test Social Security or saddle the average American family with some new form of consumption tax.

Kevin Phillips' blueprint, which he began to develop as a serious plan under a Republican administration, is designed to break up the political, financial and legal establishment, in order to place more power in the hands of a strong executive branch directly answerable to the people. He assumes that this will lead to policies that benefit a cross-section of the American people instead of narrow special interests. He is not naive enough to believe that this or any other proposal for redressing inequality would have been considered after the Reagan administration's embrace of monetarianism, supply side economics and the corruption of government by special interests. However, Phillips believes that most of his proposals have been, or would be, supported by national majorities in public opinion polls. In any case, it is clear that unless the political process is opened to much more direct and informed voter participation, any such program to achieve true democracy stands little chance of enactment. The Cold War is over. Citizens of the United States no longer worry about the threat of socialist states such as the former Soviet Union, although their own government continues to remain a mongrel mix of socialism and capitalism. Still, there is no sign of corporate or governmental managerialism becoming any less entrenched.

CHAPTER VI

THE DEATH OF LIBERALISM AND ITS AFTERMATH

Keynesian economics began to lose its luster in the United States around 1970, with the demise of full employment policy and the revival of the natural rate doctrine among academic economists, which reduced the interventionism of Keynes (Lees, 2001). These were defining events, for they ended the once towering influence of liberal economists (Brittan, 1999). In addition, because these once-dominant economists not only fell from power, but also came under a withering conservative assault inside the academy, they virtually disappeared from active political life. The views of the liberals, though still seen occasionally on the op-ed pages, ceased to matter. Since that time, no aggressive Keynesian has held a high political position in America. No president, no treasury secretary, no chairman of the Federal Reserve or even of the Council of Economic Advisers has been a consistent and effective advocate of full employment. The assumption that a government can maintain full employment if only it knows how to do so is now considered fallacious (Davids, 1999). In this connection, the misgivings of big business about the maintenance of full employment by government spending are of lasting importance (Feiwel, 1975).

The collapse of the liberal economists left political progressives, particularly the liberal wing of the Democratic Party, with a huge gap in the structure of beliefs that had previously supported their platform. To be sure, the ideas themselves remained, since they did not flow from economics in the first place. American liberalism is philosophically pragmatic, and it was derived mainly from history, not from economic theory. In this way, American progressives have tended to believe that the New Deal, the civilian prosecution of World War II and the Great Society were critical moments in American history, when government intervened to save a collapsing, stagnating economic system by raising living standards, equalizing opportunity and relieving suffering and injustice. Beginning with these experiences, liberals generally believe that the major political tasks facing America involve the emulation of New Deal and Great Society projects, as with the creation of a system for universal health care or the expansion of jobs, housing and life skills programs for the needy (Moss, 1996). They would hold these beliefs, and continue to do so, even without help from a liberal wing of the economics profession. After 1970, progressives seeking support from economic theory could point only to an odd assortment of small ideas. Any attempts by American progressives to develop agendas based on industrial policy, regional policy, urban policy and economic development policy were ferociously resisted by their former allies. Displaced from public life and baffled by events, the ex-Keynesian economists turned inward and sought to regain their bearings mainly through attempts to explain the mysterious slowdown of productivity growth after 1973. Eventually the exercise disintegrated into incoherence, with no consensus view and no coherent policy prescriptions. The remainder of liberal economists not only failed to ally with progressives on traditional aspects of government's role, they also failed to come up with a credible alternative agenda to promote productivity, growth or employment. They were even less able to assemble a political coalition and produce policies that could be linked in any demonstrable way to favorable economic results (Pasinetti, 1999). Academic economists have long agreed that technological advance is the major component of economic growth and rising average living standards. Modern economists have largely joined the new supply-side liberals in their general support of rapid technological change. The academic economists who have objected to specific technology policies do so mainly on grounds of doubt as to the competence of government in choosing precisely which sorts of projects to support, as well as to a preference for leaving the choices to private corporations (Beaud, 1997).

Opposing this trend were the left-wing theorists, particularly in their attack on multinational corporations or MNCs, who demanded that controls protecting host countries (and home countries as well) be sharpened, and that the autonomy of MNCs be limited. Those practitioners centered in the managerial mainstream, however, sought to improve business education about social responsibility and to heighten the consciousness of managers' though new courses and cases on business ethics. Others sought to build enlightened boards of directors to encourage leadership, combined with greater social responsibility. Managers innovated and many new organizations and activities were devised, including the corporate social audit and environmental scanning. Such managers listed the firm's stakeholders, tracked issues and plotted issue life cycles. Dozens of managers began working in corporate public affairs departments, and the whole paraphernalia of conferences, journals and consultants soon followed.

Much theorizing about social values and business ethics was undertaken during this period (Kanter, Sagawa & Segal, 2000). Many new initiatives were undertaken in business training programs to focus teaching more on business ethics and social responsibility and the role of business in society. Nonetheless, deep uncertainty existed even among proponents of corporate social responsibility as to exactly what was involved in being more socially responsible. Their agenda in the 1960s and 1970s included product safety, environmental pollution, marketing practices, financial and competitive practices, employee safety and health, poverty, corporate political activity and corporate charitable contributions. To some it conveyed the idea of legal responsibility or liability. To others, it meant socially responsible behavior in an ethical sense and to still others, the meaning transmitted was that of "responsible for" in a causal mode. Many simply equated it with a charitable contribution, but some took it to mean social consciousness and many who embraced it most fervently saw it as a synonym for legitimacy, in the sense of belonging or being proper or valid. Some saw it as a sort of fiduciary duty, imposing higher standards of behavior on businessmen than on citizens at large.

The 1980s: Counterattack of the Shareholders

After more than a decade of seeking to heighten their social responsibility, corporate managers experienced another blast of criticism in the 1980s. This time the attack came from the other end of the political spectrum, and it focused on the failure of managers to protect and enhance shareholder value. Friedrich A. Hayek stated that if society wishes to effectively to limit the powers of corporations, it should confine them to one specific goal, that of the profitable use of the capital entrusted to management by the shareholders (Hayek, 1996). The corporation, in this view, was the private property of its owners, and managers had failed America by running companies in their own interests and not in the interest of owners. Managers were criticized for building conglomerates whose value as a whole was less than the individual parts. They were criticized for buying fleets of corporate jets, for stacking boards with CEO cronies and yes-men, as well as for failing to return free cash to shareholders, while building war chests to defend their own positions against legitimate and value-adding takeovers. Corporate managers, it was said repeatedly, had no right to speak for their company or to commit the firm's resources to any purpose other than making profit for its owners.

Financial booms were seen as a treatment for a disease that was destroying American productivity and widespread incompetent management. Corporate takeovers and mergers were part of the free-market response to this situation, working to unseat corporate bureaucracies, control runaway costs and make America competitive again. Milton Friedman's views were now widely supported. He strongly opposed the ideas then gaining widespread acceptance, that corporate officials and labor leaders had a social responsibility that went beyond serving the interest of their stockholders or their members. These ideas were believed by Friedman to display a fundamental misconception of the character and nature of a free economy. He was convinced that there is one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits, so long as it stays within the rules of the game and engages in open and free competition, without deception or fraud.

> In a free enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. (Friedman, 1970)

In this view, it was assumed that few trends could so thoroughly undermine the very foundations of this country's free enterprise system as the acceptance by corporate officials of any responsibility other than to make as much money for their shareholders as possible. Friedman asserted that the doctrine of corporate social responsibility was a fundamentally subversive doctrine.

The ex-Keynesians were neutralized intellectually and politically by the mid-1970s and were unable to counter the cut-taxes-for-the-rich "trickle down" supply-siders and high interest rate monetarists, led by Friedman, who joined forces during the later part of the decade. (Friedman & Friedman, 2002) Respectable liberal economists were reduced to repeating catechistic formulas, that more saving and more investment accompanied by deficit reduction would be a successful strategy for economic growth. The reactionaries who had reset the goals of corporate management dominated the debate, setting the stage for a decade of high unemployment, upward redistribution of wealth and wholesale attacks on the welfare state, both before and after the watershed election of 1980.

The Emergence of the Postindustrial Future

Despite the persistence of poverty, low-wage employment, job insecurity, stagnant wages and increasing inequality, there are social theorists who continue to promote the belief that prosperity for all is just around the corner. Members of what may be called the postindustrialist school of thought insist that the transformation of the U.S. economy from an industrial to an "information" or "knowledge" economy will cause the number of quality job opportunities to multiply and mass prosperity to rebound. Beginning with Daniel Bell's "The Coming of Post-Industrial Society" in 1973 and continuing with more recent contributions such as Robert Reich's "The Work of Nations" in 1992, the postindustrialists asserted that the decline of the manufacturing sector, coupled with the rise of the scientific and technical sector, have transformed the United States into a knowledge society in which the production of wealth is based on the information trade and other forms of electronic commerce, financial services and applied science (Bell, 1999), (Reich, 2002). Postindustrialists believe that growth of the knowledge economy will greatly decrease the need for skilled manufacturing workers and unskilled laborers (Doz, 2001). It has been assumed that such jobs will be replaced by secure, high-paying positions in the expanding information industries. Thus, American society will be assured of future prosperity, due to the coming dominance of highly educated and affluent knowledge workers.

While the reported death of liberalism left the reactionaries holding political power, it also set the stage for the reemergence of political progressives, who were for the most part not economists and certainly not orthodox ones. Such figures as Robert Reich, Ira Magaziner, Robert Kuttner and Lester Thurow struck out on their own, developing a new argument around the theme of "international competitiveness," a new kind of liberalism that was unabashedly addressed to building up the "supply side" of the American economy (Thurow, 2000), (Kuttner, 1999). To the dismay of many academic economists, this group has been setting the liberal policy agenda ever since (Magaziner & Reich, 1983).

The competitive internationalists, led by Reich and the others, emphasized three main policy objectives. They strongly favored labor training, education, adjustment assistance and other programs that help workers move from one job to the next. They supported public investments in infrastructure, because it contributed to the international competitiveness of the economy. They also promoted a combination of research and development assistance for advanced enterprises, alongside efforts to open foreign markets to American products, for the same purpose of enhancing competitiveness. Expenditures on education, training research, development and infrastructure are, in some fundamental sense, good things. People, knowledge, and physical plants are usually improved by acts of investment. In addition, there are cumulative effects. Educated parents raise educable children. Scientific and technical knowledge expand prior stores of knowledge. New infrastructure can enhance and improve upon the old; new facilities in old places combine quality of function with the layered grace that makes places habitable. Countries that support their schools, university research institutes and cities position their populations for future prosperity in this manner.

There are dissenting voices to this reformed chorus of more liberal supply-siders, who believed that economic performance could be enhanced by wise public and private investment in the human and physical resources of society.

Economist Paul Krugman has assailed these competitive internationalists, citing defects in their argument as well as the risk that the policies they advocate will be combined with a resurgence of trade protectionism (Krugman, 1997). However, few of the competitive internationalists are avowed protectionists. On the trade front, they mainly favor negotiating expanded U.S. access to closed foreign markets, steps presumably calculated to increase trade rather than to reduce it, a practice orthodox economists generally support. Moreover, the larger political agenda of competitive internationalism is remarkably tame. It does not challenge, directly or indirectly, the governing role of conservatives in the larger economic policy or the existing structures of income distribution and wealth. None has ever become an aggressive critic of monetarist policy, dissented from a pro-savings consensus or advocated full employment.

Unfortunately, the optimistic theories of Reich are refuted by evidence that the transition to a high-wage economy is not occurring and that postindustrialism is leading to an increasingly low-wage and low-skill workforce. Computerization, robotics and service sector job growth have turned increasing numbers of workers into deskilled machine minders, button pushers, data entry clerks, servants and menial laborers (Chackerian & Abcarian, 1984). The inherent tension between technology and equality in the structure of production and incomes is not reversed by consumer effects. Although there is surely a role, in general terms, for government in the formulation of science and technology policy, these policies do not bring about a fairer and more just social order. The immediate effect of more rapid technological change is just the opposite, to increase disparities across the social spectrum. It follows that while science and technology policies surely have a purpose, to make them into the centerpiece of a progressive agenda is absurd. Corporations supplying exclusive, high technology consumer products can reasonably be described as transient, monopolistic profiteers. They extract money from purchasers of the latest technology and redistribute this income to the corporate owners. Since the buyers in these markets inevitably outnumber the sellers, and since income levels are frequently higher among technology producers than among technology consumers, it follows that high levels of business investment in technological innovation work against the equalization of incomes and wealth. This implies that government support for research and development cannot be thought of as a wage or income leveler, and the effect of such policies on the distribution of wealth in society almost certainly works to create a wider disparity.

Further consideration of this circumstance uncovers a basic fact about the experiences of consumers in rich but radically unequal societies where consumption of similar products is scaled by income level and socioeconomic status. The design features and price structures of new and used cars, television sets and computers, clothing and even food adjust themselves to the income structure of the populace. The society is fed, clothed, entertained and transported in proportion to its means, and this scaling of consumption creates a class structure defined partly by the technological level of one's consumption patterns. It is a characteristic of mass-market consumerism to diffuse technology products right down the scale of income levels, yet this does not create equality in the social structure. A consumer society does not deny food and clothing, entertainment and transport to its poor. What it does, instead, is create vast and invidious distinctions in the quality of the goods that people enjoy as well as the environments in which they live. These distinctions come down between the durable and the flimsy, the option-loaded and basic model, the new and the pre-owned, or the fancy and the plain. At the very bottom of society, the absence of such goods has come to define deprivation. Just as automobile have-nots and telephone have-nots defined extreme poverty in parts of the United States two decades ago, information have-nots are becoming a hallmark of the new poor.

New Ambivalence Regarding Social Responsibility and the Pursuit of Corporate Accountability

With this transformation of even progressive policies into rationalizations for further investment in technology and the knowledge economy, preceded by the redefined and restricted goals of corporate activity prompted by the reactionary monetarists, definitional confusion mirrored a more fundamental uncertainty in the social responsibility movement itself, with great ambivalence still existing among the proponents of increased social responsibility. This ambivalence frequently focused on the role of managers and whether their primary objective was to make their firm more responsible to its owners or the board of directors. That is, should managers be trusted to voluntarily adopt new standards of corporate social responsibility? Alternately, should managers not to be trusted at all and should companies be more subject to control by external forces? Here too, there is deep uncertainty about whether managers should be disciplined by the state, through what

Henry Mintzberg refers to as regulation, or should a corporation's shareholders directly participate in its governance, in what Mintzberg describes as an effort to democratize it? (Mintzberg, 1989)

The current economic system in the United States is a kind of aristocracy, especially in the workplace. It is based on the "divine" right of kings, that the interests of the "king" are paramount and the "aristocracy" alone has a say in government. At the center of the economic aristocracy today is the corporation, its authority based on the unquestioned right for a return on capital. Shareholders are monarchical in a way, in that the inheritance of wealth in this society is typically assured, and their interests reign supreme. The new aristocracy's primary goal is to pay shareholders as much as possible and employees as little as possible, while ignoring the public good (Kelly, 2001).

Widespread individual betterment in this environment will only come by changing or amending the structure and rules governing corporate operations. This nation once democratized government; now we must democratize economics. Despite the dominance of shareholder interests in the current system, corporate wealth should belong to those who create it. In the knowledge economy of the early part of the twenty-first century, more corporate profits are generated through the efforts of employees than by the capital of shareholders. Reserving profits solely for shareholders is a misallocation of resources inconsistent with our acclaimed democratic principles.

Corporations should be viewed as human communities, not just pieces of property to be owned and traded (Fitz-Enz & Phillips, 1998). If employee interests need new protections, so too does the public interest. The "divine" right of capital, with its relentless reduction of costs, too often risks worker safety and damages the environment in its pursuit of profit. Corporations exist only because we as a society have allowed them to exist. The Declaration of Independence maintained our right to alter or eliminate government that no longer serves the public interest. Our financial system, with its primary focus on quarterly profits, now discourages public corporations from service to the common welfare (Wills, 1999). In the future, the public must demand such service. At the very least, we must require that the idea of the commons, a land and a concept that belongs to all, not be harmed. Corporate reform is about the societal reasons to change the "law" of shareholder primacy, which at its heart is undemocratic. It serves the interests of the rich at the expense of almost everyone else. Ninety percent of all wealth held by households in the U.S. is owned by the wealthiest ten percent. Serving shareholders exclusively means making the rich richer, in the vain hope that secondary benefits will "trickle down" to the rest of society. This represents true wealthism, which like all institutionalized discrimination, has no place in a truly democratic society (Mishel, Bernstein & Boushey, 2002/2003).

CHAPTER VII

THE TOMB OF THE UNKNOWN WORKER

With the adoption of Friedman's monetarism, and the Laffler curve's supposed "trickle down" supply-side theory, growing wage inequality has occurred in the United States, including an erosion in the amount of free time that people have away from work (Krugman, 1994). As individuals and families fight to stay afloat in the current economy, they are spending many more hours at work on average. The number of overall hours worked per year increased from 1,905 in 1980 to 1,960 in 1988. Falling wages in the 1970's and early 1980's were often mitigated by the entry of a second wage earner, usually the woman of a household, either going back to work or entering the workplace for the first time. According to economist Julie Schor, U.S. workers since 1972 experienced an increase of eighteen and one-half work days, or more than three and one-half weeks of work for the year (Schor, 1993). The average two-income family's annual workload grew from 3,200 hours in 1989 to

3,335 in 1997. The Council of Economic Advisors has shown that this has resulted in a 14% decrease in people's leisure time in the past few decades (Graaf, Wann & Naylor, 2001).

Technological advances in the workplace, instead of increasing free time, are having just the opposite effect. Productivity is steadily increasing, but this has not transmogrified into better living standards, increased wages or free time for a life outside of work. As people work longer hours, the tempo and scope of their work has become more harried (Marshall, 1999). The scope of people's jobs has become broader than they are able to handle and they are put upon more and more often to meet a variety of competing deadlines. U.S. vacations are the shortest in the industrialized world, averaging two weeks, compared to a legally mandated four to six weeks in Europe. The United States business community views free time as a privilege, rather than a right. Recent legislation is being considered that will challenge an employer's obligation to pay overtime and also to try and grant the employer the right to limit the scope of the Family Leave Act, (FAMLA) as mentioned earlier. A free democratic society depends on strong voluntary organizations that allow citizens to participate in the democratic process. Overwork allows people little time to participate in civil society and civil institutions. This weakens the power of all citizens to defend their rights as individuals, consumers, workers and members of their communities.

Another symptom of wealth inequality is the rise of health care costs over the past forty years. In 1960, the per capita annual cost of health care was $142. By 1997, it was $3,925, an increase of more than 2,700%. The fact that many of the uninsured receive their primary health care in the most expensive manner and the only one available to them, that of the hospital emergency room, has contributed to the massive increase in premiums for the insured majority. In 1995, twenty four million employed American citizens were without regular health services, and this trend has continued to worsen, with well over forty million Americans now uninsured.

At the present time, at least sixty percent of all American households carry credit card balances averaging $7,000 per year and costing at least $1,000 dollars in fees and interest charges every year. Some of this debt can be attributed to the successful, decades-long marketing campaign in the United States to "buy now, pay later," but a substantial amount of this indebtedness results from people using or abusing their credit to compensate for stagnant or declining wages. People are now using credit cards to purchase necessities like medication and other items previously paid for in cash. A major downside of this growing collective debt is personal bankruptcy, which is at an all time high. In 1999, 135 million people filed for bankruptcy, up from 661,000 in 1990. The mirror image of increasing debt is a decline in personal savings. The savings rate is the percentage of average income saved each year. It has been steadily falling since the 1980s, from 10.4 percent in 1984 to 2.3 percent in 1999, resulting in a situation where the United Stated has the lowest savings rate of any industrialized country. The American Dream is quickly becoming a nightmare for all but the economically blessed 10% of the population who possess 90% of the wealth (Mcknight, 1995).

As an alternative to this growing trend toward wealth and income inequality, the benefits of an egalitarian society have been studied by Amartya Sen, the Nobel Laureate in Economics. Sen has been examining the Indian state of Kerala, an area that has been the object of much observation because of its low level of inequality, for many years. In Kerala, the income disparity between the top ten percent of the population and the bottom ten percent of the population is only 3.5 to 1. In the United States, the disparity is at least 12 to 1 and appears to be growing even wider. What Sen has found is that even though Kerala is materially very poor when compared to the United States and many other countries, the average quality of life is much higher.

The Kerala model has come into vogue in contemporary literature regarding development. Questions have been asked about whether the Kerala model is replicable, but Dr. Sen has repudiated the argument that there exists what is called a Kerala model, based on his view of Kerala's own experience with development. In the last 40 years or so, he has visited the state at least 20 times for varying periods and Kerala has figured prominently in his speeches and writings for more than two decades. It began with Sen's association with Dr. K. N. Raj. Dr. Sen acknowledges that Dr. Raj first drew his attention to the educational experience of Kerala and was responsible for his interest in studying the nature and far-reaching implications of Kerala's experience. In several of Sen's writings on Kerala, the year 1817 is noted as a benchmark because that year saw the young woman ruler, Rani Gouri Parvathi Bai of the former royal family of Travancore, issuing a proclamation that "the State should defray the entire cost of the education of its people in order that there might be no backwardness in the spread of enlightenment among them, that by diffusion of education they might become better subjects and public servants" (Mathew, 2001). Evidently, this proclamation heralded the unleashing of widespread, progressive forces against backwardness, superstition, conservatism and casteism.

Dr. Sen's writings on Kerala possess valuable insights for other governmental bodies, as well as for all those concerned with social development. These observations, however, do not imply that Kerala's successful experience in development should be confused with a Kerala model of development (Chandran, 2000). Sen believes model-based thinking is static, backward looking and ultimately counter-productive. Kerala could achieve so much because of what Sen calls the constructive and combative roots of its historical background. The constructive roots are Kerala's indigenous intellectual history and the impact of its global exposure. The latter has resulted in a tolerant pluralism in the state, brought about by opening its doors to other peoples and cultures. The host society remains receptive to learning from other traditions and other ways of living, while practicing consociationalism, which is the successful interaction of unrelated groups of citizens who maintain their distinct identities. Pro-education aspects of Kerala's Hindu tradition created the ideal climate to pursue social and educational goals, with a willingness to move in a radical direction. The sustained contribution of

Christian missionaries to the expansion of the educational facilities in Kerala was another constructive development.

The combative elements of Kerala society began with the resistance of the lower classes against the rigid caste system and upper caste domination. Dr. Sen says, "The opposition to caste inequalities took a particularly pro-mass education form" (Sen, 1996). There was a dialectical response; the spread of education helps to overcome the traditional inequalities of caste, class and gender, just as the removal of these inequalities contributes to the spread of education. Another important combative move can be seen in Kerala's radical politics, especially after the 1950s, which transformed the combative issue of caste and class inequality into one of public activism and educational construction. Education in Kerala has created a major enhancement of day-to-day human freedom, a capacity for asserting other rights such as health care, demands for more public services and monitoring of their delivery, a better climate for gender equity and, above all, much faster reduction in income poverty than in many other

Indian states. The qualitative characteristics of the state of Kerala are low crime, long life expectancy, high literacy and low infant mortality. Kerala is the population of California, but Kerala has 5,000 people jailed while California has over 200,000 inmates.

CHAPTER VIII

THE GLOBALIZATION PROJECT

The nineteenth-century social thinkers like Emile Durkheim, Max Weber and John Dewey, who created our theories of development, saw societal development emerging along industrial-technological lines. The European colonies such as India and the Dutch Indies were expected to take the equivalent measures. Development was one of the crucial concepts of the social sciences. It spoke to the expectations involving some of the eventual outcomes of the human condition through technological progress. This expectation coalesced into the development project, which turned out, for many reasons, to be an inaccessible ideal. This project has since been replaced with another improbable ideal, the globalization project, which employs a similar idea about the centrality of economic growth, though using different means. It is like new wine in an old bottle; no true connoisseur would have it, but it may look good enough to fool the naïve.

Three comments can be made about the development project and its core assumptions. First, it represented a bifurcation in the historical road, favoring the Western model over models in the non-Western world. Second, this split included a strong dose of economistic thinking, which now endangers all other conceptions of social organization. Third, because of the combined impact of these two forces and their failure to address persistent problems of wealth inequality, the world now faces a tentative future that leaves the dogma of development exposed to serious questioning.

Fundamental choices about the world order involving development and nation building were made after both world wars, but they tended to grow out of previous historical relationships, such as with the partition of India and Pakistan or the creation of Israel. Development is an ancient European idea, woven from two related strands of thought. One is the Promethean self-conception of European civilization, underlying the Judeo-Christian belief in the eventual human dominance over nature. This so called "progressivism" evolved as the essential ideal, analogous to Europe's materialization as a world power, and was expressed in the capitalist ethos of the endless accumulation of wealth as a rational economic activity. The second thread took root as a fundamental belief in this global endeavor. The comparison Europeans made between their way of life and the culture of their colonial subjects produced the European conception of modernity as the destiny of humankind. It was this belief system that motivated the series of decisions to institutionalize development on a world scale.

Two essential pathways of the development project were technological and educational, but basic questions about the appropriateness of each were raised early in the process. Third World countries found that the promise of First World technologies was ambiguous. While green revolution technologies might raise agricultural productivity, they could also intensify social inequalities in many rural regions. There were problems with applying standard technologies to distinctly local agro-ecologies, and these difficulties became prevalent in many schemes for technical assistance. Some agricultural programs, such as water delivery and irrigation systems, improved many village and rural services, but the indiscriminate introduction of some technical packages to modernize local economic systems had decidedly mixed results in terms of transferability. A Tanzanian peanut project in the 1960s, for example, saw foreign experts overriding local aspirations and climatic conditions. The plan was to apply new technology to cultivate 3 million acres of peanuts, despite the doubts of local farmers. The project was abandoned 10 years later because of miscalculations about rainfall, soil abrasiveness that ruined metal plows and persistent plant disease (UCLA Center For Comparative Social Analysis, 2003).

Education for nation building was tied to the goal of the United Nations Educational, Scientific and Cultural Organization (UNESCO), promoting scientific humanism as the basis for a developing society. Education became a vehicle for introducing politics at the village level. As Eric

Hobsbawm remarked: "In a literal sense, knowledge meant power, most obviously in countries where the state appeared to its subjects to be a machine that extracted their resources and then distributed these resources to state employees" (Marho & Thompson, 1984). While some benefits were recorded, often fewer for women than for men, education has been routinely shaped promote to the projected outcomes of the development project. Many observers have argued that formal schooling has encouraged economic rationalism and a consumer mentality, at the expense of deepening students' understanding of and admiration for their own cultures and local ecologies. The development project rejected this other pathway, the one of empowering local cultures, or at least allowing them to be replenished after the devastation of colonialism. In fact, completely different postwar institutions would have been required to rebuild a world order that placed emphasis on empowerment of local social needs, rather than what were presumed to be universal economic needs.

There is no suggestion here of how these social needs would have been implemented politically, though there may have been alternatives to the nationalized form of political organization in the United States. Certainly, advocates of the Pan African movement in this country during the 1950s understood that our national form was not appropriate to African needs at that time. The nation state model may not have been perfectly applied to Central Europe 40 years earlier prior to World War I, and recently the world has seen the violent implosion of Yugoslavia, Somalia and Rwanda as they have failed to become unified under a national structure. The nation state as a political and economic organization may represent only a relatively brief period in the longer span of history. Whether its democratic legacy will infuse future social organizations is an unanswerable question.

Another observation about the development project is that its fundamental economism has occasionally produced the expected results, but not necessarily the kind pledged at its inception. Certainly, the capitalist model for our economy has been a prosperous one, but its promise of technological abundance has created a radically unequal distribution of wealth and income. The development project brought many nations into line with this idea of national economic growth, including some across the Cold War divide after the fall of the Soviet Union. Nevertheless, the pursuit of economic growth under the rigid terms of the development project led to destabilization in the global economic and political environment, as the management of economic globalization eroded national sovereignty.

In the context of globalization, neoclassical economic thought has achieved prominence. Advocates of neoclassical economics identify national economic management and public expenditure as interfering with market efficiencies. They believe nationally managed economic growth is anachronistic in an era of global communications, corporate organization and the cross-border movement of goods and money. It was these ideas that underlay the World Bank and World Trade Organization debt management programs in the 1980s and they still inform global management concepts today. These beliefs guide national political elites on both the right and left, as nations struggle to survive in the global economy. This concerted effort has put increasing distance between where the world is now and the idealized national framework of the development project, which reveals itself most dramatically in the global reorganization of labor. Employment security has declined, as firms have either downsized or relocated manufacturing facilities to countries occupying the lower rungs of the global wage ladder. These changes have contributed to the declining living standard in the United States particularly, and have had profound political consequences here as well, as they threaten the liberal underpinnings of Western democratic society.

If employment and living standards have become tenuous in the First World, their status is much more fragile in the Second and Third Worlds. Export zones may attract jobs, but in order to compete, some of these economic development zones, noted for their absence of labor protections, have even exploited child labor. The fate of labor across the world has been entrained with the outcome of the development project, which promised parallel political movement toward First World style regulation of national wage levels in an increasingly prosperous consumer society. As the project has unraveled, however, many foreign governments refused to replicate the substantial accomplishments of organized labor in the United States under the guise of efficiency. Given these conditions, development itself is becoming an uncertain paradigm. It is not astonishing to find the local and global viewpoints of the development debate reconfiguring the meaning of development. One example is the common use of the term sustainable development, which has different meanings on each side, ranging from the accelerating development of domestic oil reserves to strategies for enhancing nature preserves as a way of attracting eco-tourism.

A related reflection on the problem of development has to do with the deterioration of the environment. To a growing number of people around the world, the unraveling of the development project has unleashed expressions of diverse identities and local needs. It has at the same time challenged us all with the inevitability of global environmental degradation. We do have a shared future in that we all face growing environmental limits, in terms of potable water and clean air, among other essential natural resources. The critical issue now is also whether the social and physical world can sustain current economic growth trends using current forms of energy. This problem must be attended to at all levels of organization, under conditions of adequate political representation.

By 2050, according to some estimates, the United States will be able to supply only the domestic market with food crops. The development project proposed replication of the model of national economic growth across the system of nation states. By contrast, the globalization project differentiates states and their producing regions. It assigns communities, regions and states new niches or specialized roles - including marginalization, in the worst cases - within the global economy. Therefore, the effort to repeat the Western experience has been a failure in many places it has been tried.

Development is a strategy for organizing social change. It occurs within a distinct field of power, be it national, international or both. It occurs within a cultural context, in this case, the Western enterprise of endless capital accumulation and commodification. As an organizing myth it mobilized virtually all societies, justifying the problems it created with ardent appeals to universal economic rationality. In the post-World War II environment, this appeal was anchored in the substantive idea of national self-determination. It was a powerful idea which delivered some tangible benefits across the globe and, in retrospect, the development project seems progressive compared to the current globalization project.

The essential point is that some groups with a different perspective are proposing a departure from the Western model and a reinvigoration of alternative and/or local systems. Local systems do not have a monopoly on virtue; they are too often the site of patriarchy and authoritarianism unadulterated by individual rights. Human and individual rights need to be a fundamental part of the new formula. They represent the discourse of a new worldwide civil society. Under the globalization project, these rights require an intensified advocacy that does not conceal their vulnerability, as powerful corporate and governmental interests make the majority of decisions about global restructuring.

This shift in thinking toward local concerns has in many cases reversed the tendency to make the market the major instrument of social organization, while at the same time subordinating the economy to community and ecological requirements. Addressing the issue of why we as a society have surrendered our social and natural resources to market disciplines raises the question of who benefits. The lack of representative institutions for a world civil society that can match the global market becomes clear when we look at how the global market is managed. Most worldwide social institutions such as the League of Nations or its successor, the United Nations, have a relatively limited shelf life anyway, but in the absence of representative forums at the global level, the nation state still has an important contribution to make for the protection of social rights. During the present time, however, this function has been subordinated to more powerful forces, where nationalism takes a rightward turn as threatened groups and labor organizations embrace ethnic politics. This brand of politics divides rather than unites, leading nation states to strengthen their ideological grip by functioning as regulators to determine which groups count as first-class citizens and which as second-class. In doing so, they abandon their historic function of attempting to establish a harmonized citizenry.

A new reversal of that principle that is currently redefining First World politics is the perceived threat of formerly colonized peoples migrating into the First World in sufficient numbers to potentially overwhelm the job market and social service delivery system of the affected nation state. The Northernized countries, specifically the United States, Europe and Scandinavia, as well as Russia to some extent, are being exposed to the frequently contentious results of the world being Westernized. Immigration, population pressure, tribalism concurrent with mega-arms and, above all, the environmental consequences of worldwide industrialization threaten to destabilize the Northern way of life. The cycle of expansion, which had been initiated by Columbus, may be destined for termination at the end of this century, when our natural resources could become overwhelmed. The more we understand this potentially harmful process, the better we as a society will be able to respond to it.

The development project was an organizing myth, essentially a totalizing Western narrative, which had broad appeal for decades. Much less clear is whether the new globalization has an equivalent appeal, as it subordinates social life to more abstract market principles. It is difficult to imagine people across the world continuing to subscribe to a more elevated, less representative or more abstract authority than the nation. Being a global consumer appears to work only for a small, elite minority.

The citizens of the United States continue to obtain our athletic shoes, CDs and software from foreign production zones, but how long can this situation persist if civil institutions around us fail and unemployment begins to swamp larger and larger portions of an already subsiding middle class? Being a global worker is an increasingly unstable condition for labor forces - both unskilled and skilled - across the world. Meanwhile, the institutions of the original development project will continue devising measures to improve or restructure the conditions of the world's populations. In March 1995, for example, the United Nations held a World Summit for Social Development in Denmark. The agenda was thoroughly affected by the reversals of the development myth (United Nations, 2000).

Where does this leave development theory, then? Let us retrace its steps. It took its cues from nineteenth-century social thought, which was concerned with different aspects of the rise of capitalism and industrialism. The grand sociological trio, Karl Marx, Max Weber, and Emile Durkheim (Giddens, 1971) addressed three distinct problems, respectively: How can we explain the transition between radically different forms of social organization such as feudalism, capitalism and socialism? How can we account for the fact that capitalism developed in the West and not in the Orient? And, how is it possible to retain social cohesion as the division of labor advances?

Any common ground among these three theorists and others was in their identification of contradictions accompanying development in the capitalist era. Marx saw class inequality as a major contradiction and the market as a new religion obscuring that inequality. Weber distrusted the rationalizing thrust that displaced wonder and cultural mythmaking. Durkheim worried about social disorder as the scale and complexity of society grew. These social theorists have been criticized as proclaiming a Eurocentric "grand narrative" of history and social change. Their interpretation of the events in the early part of the twentieth century reproduced the progressivism of the Eurocentric narrative. This progressivism in turn shaped and formalized development theory in the mid-twentieth century, giving rise to the development project.

A powerful theoretical critique of developmentalism appeared with Immanuel Wallerstein's formulation of world-system analysis in the early 1970s (Wallerstein, 1999). The argument he made was twofold. First, since the rise of the sixteenth-century European capitalist world economy under colonialism, the globe has been hierarchically organized as a systemic whole divided into unequal zones of specialization, with Europe in the center, and the colonial and postcolonial world at the periphery. Similarly to the middle classes of industrial society, there is a buffer zone between the center and the rim, the semi-periphery, comprising the middle-income states. In the post-World War II environment, the newly industrializing countries joined other semi-peripheral states like Australia, New Zealand and Canada, as well as the Southern European states and the former Soviet bloc countries. As the second prong of the argument, Wallerstein has produced a sustained critique of the character of developmentalism as an organizing myth, both because of its misapplication as a national strategy in a hierarchical world, where only some states can "succeed," and because it has displaced other, more equitable, notions of social organization.

As the development project unraveled, we have seen that revised conceptions of development emerged in reply to varying conditions. Growing Third World poverty has provoked the "basic needs" approach, new socialist interpretations of underdevelopment as a historical condition and redefinitions of human development indices. Opposing all of this, industrial growth in the newly industrializing countries in the 1970s also produced the World Bank's conception of development as participation in the world market. The debt crises of the 1980s and 1990s, particularly with Thailand, Brazil, Russia and, on a different level, the Long-Term Capital hedge fund, punctured fantasies of development (Khan & Truell, 1998). Debt management became the newly accepted view, and the debt regime was a dress rehearsal for the reformulation of the development enterprise as a global project. This project embedded global regulatory mechanisms in global institutions and in increasingly modernized states acting on behalf of the global economic managers.

Alongside and sometimes in reaction to these developments, new social movements have emerged presenting alternatives that have been identified as expressive or noneconomistic that are rooted in conceptions of reducing the scale of resource use and unrestrained community revitalization. Globalists believe in the sagacity of an open world market, but the level playing field that is supposed to accompany this operation is fiction at best and an assertion of power at worst. Globalists deploy free trade arguments to "open" national economies to privileged investors and transnational corporations. They propose deregulated currency markets that encourage financial speculation and huge, destabilizing capital flights, as wealthy nations or even individual speculators shift their funds to more inviting regions of the global economy.

By comparison, localists start with a belief in promoting local knowledge and the virtues of small-scale communities. The growing Participatory Action Research (PAR) movement is a key example of this kind of localism, where communities achieve self-empowerment through active participation in self-knowledge, such as recovery of local ways of interpreting and being in the world (Fals-Borda & Raahman, 1991). Still, communities are historical products and must come to terms with the nation states and market institutions within which they currently exist. A dramatically successful example of this kind of empowerment came with the victory that was won by the Murray Islander people of the Torres Strait in June, 1992 (Attwood, 2000). The High Court of Australia, after years of pressure from aboriginal people, discarded the legal fiction of Australia as terra nullus, a land belonging to no one, established at the moment of British colonization in 1788. The ongoing task now is for aboriginal negotiators to clarify "the indissoluble tie of Aboriginal and Islander people to their land in contrast to the conception of land as a tradable item." The difficulty in drawing distinctions, and thereby protecting a way of life, is that there are two basic languages here, one economic and one cultural. To the extent that the cultural language succeeds, it subverts the course of development.

Communities must negotiate the complexity of class, gender and cultural relations that shape these communities, and connect them to their broader national and global contexts. Whether or not it will endure as a local, grassroots initiative, the Chiapas revolt (Ruggerio, 1998) offers some answers to this complexity by displaying a new form of political action. It successfully linked the struggle for local rights to the long-term historical context that this region of Mayan ancestry had experienced waves of foreign intervention and exploitation of its natural and human resources. The revolt presented a compelling case for its significance in the present day by proving that in the course of pursuing mandated structural adjustments, the Mexican state steadily withdrew social subsidies from the Chiapas region and was on the verge of withdrawing all protection from overwhelming global forces with the implementation of the North American Free Trade Agreement or NAFTA. The Chiapas revolt was rooted in local empowerment demands, but it resonated with many communities in similar predicaments in Mexico and throughout the world.

To be sustainable, any community in the new global environment must situate its constituent community needs within their world-historical context. This means understanding not only how the community has come to be within the context of global processes and relations, but also how its members can empower themselves through that context. This includes ensuring that community empowerment means also empowering the individuals and minorities in these communities. It also means realizing that there are other communities with similar needs, precisely because they are woven from similar world-historical threads. It was and continues to be the genius of the Chiapas rebels that they were able to effectively articulate this old interconnectedness with the most modern technology. It is also the hallmark of our times that these historical connections are now being made, even as the currency of development has been devalued.

Human sustainability will in the future depend more on environmental conservation and less on economic growth. The significance of the development project's demise is that the world is now at a critical juncture, and the powerful reorganizing myth of globalization will further weaken social protections in the name of economic efficiency, just as development diminished cultural identity and increased inequality. Public capacity to care for disadvantaged populations and to protect human and environmental futures is threatened. The globalization project is not just a successor to the development project. Its prescriptions are double-edged, because its conception of the future erases the past, a past created by movements for social protection. As the development project has subsided, a general reversal of thinking has emerged. The present is no longer the logical development of the past; rather, it is increasingly the hostage of the future. Those who define the future will set the new agenda for this ongoing postdevelopmentalist debate, and the dialog pivots on the adequacy of the market as a "guardian" of social and environmental sustainability. This discussion is a prelude to a broader, historical set of questions concerning the scale of human community and governance as well as the growing tension between material affluence and the survival of the human species.

CHAPTER IX

THE ENRON PARTY AND THE ABUSE CYCLE

In dramatic contrast to the successful integration of egalitarian principles in the Indian state of Kerala, the economic system in the United States perpetuates ever growing wealth inequality, with corporations in general and poorly behaving corporations in particular being responsible for much of this trend. The recently exposed difficulties of companies like Enron, Imclone, WorldCom, Tyco and Adelphia, among many lesser known others, show how topical the debate about collective responsibility has become. It is clear that questions about this debate have not yet been adequately resolved. The work of Raymond Pfeiffer, a philosopher who has written about business ethics, is important in the attempt to clarify these complex issues, particular in an environment of corporate globalization (Pfeiffer, 1995). Pfeiffer begins with the thesis that, when at all possible, society should opt for individual rather than corporate responsibility. This is called the thesis of individual sufficiency. In the business climate of the United States, the aforementioned companies and their misbehaviors could be listed as excellent case studies in support of Pfeiffer's theories, but these types of cases may be exceptional, because assessing individual blame for wrongdoing is often rather difficult.

If it is not possible to reveal which specific individuals are responsible for an occurrence of corporate malfeasance, then Pfeiffer asserts that the organization should blamed. He calls this the thesis of individual dependency and it involves both corporate and individual responsibility. Evidence to prove that an organization is to blame must also include indications that some of its personnel are to blame, even if it is unclear who they are or to what extent they are responsible. Therefore, the individual dependency thesis does not completely shift the focus from individuals, but accepts that in certain situations it is impossible to find a particular person or persons who can be assigned all the blame. It is imperative to be able to assign blame because of the need for retributive justice from society's point of view, as well as from the perspective of the victims of corporate misbehavior. Being able to blame an organization ensures that in cases where specific individuals cannot be brought forward, there will still be a legal entity that can be punished, with damages assessed to compensate its victims (Fox, 2001).

The search for a model through which corporate blame may be assigned has been a topic of debate for some time, but took on particular momentum with the publication of Peter French's 1984 book, Collective and Corporate Responsibility, after the earlier wave of corporate and governmental scandals in the 1980s (French, 1984). French created a detailed model under which corporations may be assessed for moral blame, because a particular corporation is an agent and all such agents are responsible for their actions, leaving individuals out of the equation. Pfeiffer refutes this model, as well as Larry May's view of groups, and the doctrine of vicarious negligence (May, 1987). Pfeiffer believes that May errs when he approaches the problem of understanding individuals and groups from the perspective of the group. Pfeiffer thinks that one must always adopt the perspective of the individual, thus, Pfeiffer's explication of the individual dependency thesis. In the end, these distinctions are not important. Even if French and May are not completely refuted, this does not diminish the fine distinctions made by Pfeiffer in his discussion of ways to understand membership in certain groups, when membership itself may carry moral blame, such as is in a mob, or other organizations in which membership could be construed as neutral, such as in a corporation. In addition, he proposes ways in which punishment ought to be assessed. From here, Pfeifer develops his five conditions for blaming organizations.

1. Some circumstance comes to be, and is morally objectionable. That is, some combination of people should (and could) have taken measures that would have prevented

it from occurring. They had a moral duty to take those measures.

2. More people are probably blameworthy for having contributed to the matter at hand, than any particular individuals whose blameworthiness can be assigned.

3. A subset of those with a moral duty to take preventive measures were related through a network of various interrelationships within the organization.

4. Some of those in the subset could have responded appropriately to fulfill their relevant moral duties, but did not, and have no morally exculpatory excuse for not having done so.

5. The dereliction of moral duty producing the matter in question arose within the context and because of the organizational interrelationships.

Once it is agreed what is moral or not, there is a procedural model which can be applied to cases deserving various sorts of punishment. Questions of procedural justice are important, but it may be that disagreements about morality reduce these discussions to mere enforcement of the law, which presents a procedural pragmatic model as one way to handle this debate of business ethics and corporate responsibility. The recent corporate scandals are reprehensible by Pfeiffer's stringent standards.

We are at the peak of the latest corporate abuse reform cycle in which business abuses have been so severe, and their effects so conspicuous, that the usual low-key treatment and normalization by the mainstream media has been unsustainable. During the past year the media have featured the following major stories: the Enron collapse, preceded by the Enron (and many other) management's conflict-of interest dealings with and looting of their own company, Enron's (and other companies') manipulation of electric power prices and looting of California consumers and taxpayers, the conflict-of interest and criminal actions of Arthur Andersen (Enron's auditor), the role of the major banks in helping Enron (and others) engage in various malpractices, the disclosure that brokers had touted stocks underwritten by their investment banking departments which they privately derided, managerial overpayment and de facto looting of their companies via stock option plans and golden parachutes (all on an obscene scale) and the utter failure of government regulators to curb these excesses (Elliott & Schroth 2002). The extensive publicity has sparked anger and distrust of business. Naturally, this distresses the corporate community and some of its members, along with the media, are in the process of trying to repair the damage. This was the same sort of problem that faced the business community during the Great Depression (Galbraith, 1988/1997). Corporate abuses of gigantic proportions in the 1920s had helped inflate the stock market, along with the infusion of borrowed money under the thinnest of margin requirements.

The Great Depression collapsed these paper pyramids and uncovered massive fraud in security markets and banking alike. Some Wall Street dignitaries actually served prison time, notably, Richard Whitney, former president of the New York Stock Exchange. Business had a huge public relations problem on its hands, which also provided an environment in which real reform could take place. Starting in 1934, these reforms included the creation of the Securities and Exchange Commission (SEC) and new public disclosure requirements for the sale of securities on stock exchanges, the Glass-Steagall Act's enforced separation of commercial and investment banking, as well as the dismantling of public utility holding companies (Benston, 1995). These real reforms of the 1930s were fought bitterly by the bulk of the business community, though an important segment of that community did support them, considering them essential to make capitalism viable (Brennan, 2000). The reforms were softened and weakened in these struggles, but remained basically intact for decades. It is therefore of real concern that as the business community has gained enough political and media muscle over the last two decades, it has succeeded in steadily eroding these Depression-era reforms. Reflecting on this transformation, the word "reform" has now come to mean deregulation, privatization, along with blind faith and trust in markets. During this period the Glass-Steagall separation of commercial and investment banking and other limits on financial integration were eventually removed, and government regulation was weakened by inadequate funding, rule relaxations and more frequent appointments of regulators who appeared to have conflicts of interest because of their securities industry contacts. For example, George W. Bush's initial appointee to head the SEC, corporate lawyer Harvey Pitt (Smilgis, 2002), had worked for dozens of banks and security firms, the New York Stock Exchange and all of the Big Five auditing firms, including Arthur Andersen. He had helped the Big Five fend off regulatory constraints on the conflicts of interest that were notable features of the

Enron-Arthur Andersen relationship. Not surprisingly, Pitt did not initiate the strengthening of legal or regulatory constraints on big business. The corporate community's call for business to lead the way to "real reform" thus reeked of hypocrisy. Business instead took advantage of its advancing power to create a perfect environment in which corrupt firms like Enron, Global Crossing, Arthur Andersen, Citibank and Tyco International could thrive, free from the controls of the earlier real reforms.

The real cost of all this recently exposed corporate misbehavior has fallen largely onto the shoulders of ordinary working Americans. This unofficial tax has hit them in many forms, from lost investments, to lost jobs, to gutted retirement funds. The following summary of the harmful effects caused by rogue corporations is not a complete accounting, having yet to include such costs as tax revenues lost to offshore corporate tax shelters. Line items in the "corporate irresponsibility tax" include:

Depleted retirement accounts - As the stock market has continued to tumble with each new corporate scandal, individual retirement accounts (IRAs) took the hardest hit. The Campaign for America's Future found that individual retirement accounts lost over $175 billion in 2001 alone.

Plundered public employees pension plans - Firefighters, police, teachers, and other state and municipal workers lost at least $6.4 billion when the value of the stocks and bonds of reckless and lawless corporations in their public pension fund portfolios took a dive.

Tax revenues lost to corporate tax-cheats - For years, corporations have been reporting one set of profits to shareholders and another completely different set to the IRS. These currently legal accounting practices have kept billions of dollars of tax revenue out of the Treasury. The gap between booked and taxable income rose to $159 billion by 1998 (up 72% from 1996) representing an unofficial $56 billion tax break for corporations.

Taking the money and running - While investors and employees of these renegade companies lost billions of dollars, company insiders cashed in for billions in profits by selling stock before the bottom fell out (Nader, 2003).

Corrupt Company Officers and the
Corporate Wall of Shame: 2001-2002

Adelphia Communications - CEO John Rigas resigned after being investigated by the SEC and two federal grand juries for multibillion dollar, off-balance-sheet loans to the company's founders, the Rigas family. Rigas, with his son and former CFO Timothy Rigas, were arrested last year for securities fraud.

AES Corporation - Dennis W. Bakke, the President of the company, used secured equity-linked loans (SELL) that grossly inflated revenues and bolstered the company's stock price. These loans are not carried on the company expense sheets, since they are paid back by issuing shares of stock,-further diluting value and ownership of the company.

AOL Time Warner - Chief Operating Officer Robert Pittman was accused of erroneously inflating advertising revenue to keep the company's stock price inflated, assuring an even greater stock price through mega-merger with Time Warner.

Arthur Andersen - CEO Joseph Bernardino quit after the company was found guilty of obstruction of justice; David B. Duncan, former partner, was accused of ordering the destruction of Enron-related papers, and pleaded guilty to obstruction of justice in the Enron investigation.

Cornell Companies Inc. - Steven W. Logan, removed as CEO, and facing a pending class action lawsuit claiming Cornell through its officials made misleading statements to the public and its shareholders.

Dollar General - CEO Cal Turner was replaced after shares dropped 13%, following reduced earnings reports of nearly $200 million for the last 2 years. The company took a quarterly charge of $1.62 million to settle shareholder lawsuits over accounting missteps.

Duke Energy - Chairman Richard Priory was investigated for "round-trip" energy trades with other energy producers to inflate volumes and revenues. These falsified trades inflated revenues by one billion dollars over three years.

Dynegy - CEO Chuck Watson resigned under pressure after trying to merge with Enron and was target of several federal probes into alleged sham trades aimed at artificially pumping up revenue and volume.

El Paso Corporation - Chairman and CEO William Wise was identified for his involvement in 125 "round-trip" trades, used to bolster revenues and market share.

Enron Corporation - Former CEO Ken Lay presided over the nation's largest energy trader, which collapsed into the largest-U.S. bankruptcy at the time, amid an investigation surrounding off-the-books partnerships that were used to hide debt and inflate profits.

General Electric Corporation - Retired CEO Jack Welch and Jeffrey Immelt, CEO of GE Capital, a GE subsidiary which was a major financial backer of MCI WorldCom, provided a financial crutch to that corporation which would go on to file the largest bankruptcy claim in U.S. history.

Global Crossing - CEO Gary Winnick resigned under pressure after probes by the SEC and the FBI regarding the company's accounting practices and for allegedly engaging in network capacity swaps with other telecommunication firms to inflate revenue. Winnick acknowledged that Global Crossing's actions may have "misled the market."

Halliburton - Chairman and CEO Dave Lesar was suspected of improperly recording revenues from cost overruns on big construction projects.

HPL Technologies, Inc. - Former CEO and founder, David Lepejian, is facing charges that corrupt accounting practices inflated the stock price following the company's initial public offering (IPO), and for allowing executives to sell 85,500 shares at inflated prices. Also facing charges for violating Security Exchange Act of 1934, the company expects to restate profits for 2001 and 2002, and has a class action lawsuit pending.

ImClone Systems, Inc. - Former CEO Samuel Waskal was arrested and charged with insider trading, and has also been under investigation by a congressional committee to determine if the company correctly informed investors that the U.S. Food and Drug Administration had declined to accept for review its experimental cancer drug.

J.P. Morgan Chase & Co. - CEO William B. Harrison, Jr. was the subject of a congressional investigation for helping Enron and other corporations set up "sham" transactions to conceal their true financial condition. These transactions included loans that allowed Enron to hide nearly four billion dollars worth of debt.

Kmart - Ex-CEO Charles Conaway presided over the failing company when the SEC investigated it for improperly accounting for vendor allowances to inflate profits.

KPMG Consulting, Inc. - Chief Operating Officer Michael J. Donahue has been investigated by the SEC, which alleges that accounting missteps by KPMG allowed Xerox Corporation to knowingly post erroneous earnings.

Lucent Technologies - CEO Henry Schact restated fiscal 2000 revenues by $679 million, spurring an SEC investigation, which is also investigating whether vendor financing played an improper role in inflating revenues.

Martha Stewart Living Omnimedia - Martha Stewart, who has recently resigned as CEO, has been charged with insider trading, obstruction of justice and providing false statements to the SEC in the ImClone investigation.

Merck & Co. - CEO Raymond Gilmartin was responsible for improperly recording $12.4 billion in revenue over the past three years from the company's pharmacy-benefits unit, Medco, that the subsidiary never actually collected. Shareholder lawsuits for this activity have been filed.

Merrill Lynch & Co. - Chairman and CEO David H. Komansky agreed to a $100 million settlement with the New York State Attorney General regarding charges that the company tailored stock research to win investment banking business.

MicroStrategy - CEO Michael J. Saylor settled without admitting wrongdoing an SEC suit accusing the company of backdating sales contracts to meet quarterly financial estimates and other improper revenue recognition practices.

Network Associates - CEO George Samenuk is facing an investigation about whether it hid expenses and overstated revenues from 1998 to 2000.

Peregrine Systems - Stephen P. Gardener resigned as CEO following the SEC investigation of the overstatement of revenues after the software company restated results, on reports that sales were inflated by $100 million over three years.

Phar-Mor - Co-CEOs Abbey Butler and Melvyn Estrin, who were awarded over $320,000 in bonus pay during bankruptcy, supervised the restatement of recent quarterly results, and Phar-Mor is taking a $2.4 million charge to write down the value of its entire investment in Chemlink.

PNC Financial Services - CEO James E. Rohr authorized the restatement of PNC's 2001 results by $155 million after regulators raised concerns about how it accounted for a transfer of loans, resulting in a class action lawsuit and SEC investigation.

Pricewaterhouse Coopers - CEO Sam DiPiazza headed the firm that was involved in the following accounting scandals: Phar-Mor with its overestimation of profits, Gazprom with lawsuits over false and misleading statements, Pinnacle Holdings and Avon Products for accounting violations, as well as PwC's own practices and independence standards.

Qwest Communications - CEO Joseph P. Nacchio resigned under pressure following SEC investigations to determine if the company improperly boosted revenues for 2000 and 2001 through capacity swaps and equipment sales.

Reliant Energy - CEO R. Steve Letbetter admitted the firm inflated revenues by counting artificial "round trip" energy trades, and is under SEC investigation for accounting matters relating to earnings restatements.

Rite Aid - CEO Robert G. Miller was indicted for fraud after inflating earnings by $1.6 billion from 1997-to 1999.

Sunbeam Corporation - CEO Albert J. Dunlap was ousted after the SEC filed an accounting fraud suit against executives. "Chainsaw Al" settled the suit for fifteen million dollars.

Tyco International, Ltd. - CEO Dennis Kozlowski resigned and was indicted on 11 felony counts after investigations into whether executives used corporate cash to buy art and a home. Kozlowski was indicted for evading roughly $1 million in sales taxes from art purchases, and was accused of improperly creating "cookie jar" reserves that were supposed to cover merger costs, but instead were drawn on to boost profits.

Vivendi Universal - CEO John-Marie Messier was forced to quit after incurring a $1.1 billion charge as the result of off-balance sheet accounting and attempting to add $1.5 billion in net profit for deal relating to the sale of British Sky Broadcasting Group PLC.

Waste Management - CEO Maurice Myers overstated income from 1992-to 1996 by more than one billion dollars.

WorldCom - Former CEO Bernie Ebbers is being investigated for his involvement in the company's huge overstatement of revenues, in an effort to conceal 3.9 billion in hidden expenses, which led to bankruptcy.

Xerox Corporation - CEO Rick Thoman restated five years of results to reclassify more than $6 billion in revenues. The company settled charges that it used "accounting tricks" to defraud investors (Nader, 2003).

Placing Blame

Who is at fault? Clueless investors who ignored red flags indicating that corporations might be hiding financial problems? The SEC and other regulators who depended on warning letters and speeches rather than cracking down on accounting practices? Many corporations have been blaming rogue employees for their accounting problems. Dennis R. Beresford, a professor at the University of Georgia and former chairman of the Financial Accounting Standards Board, argues that the problem is the culture of corporate America. As soon as regulators crack down, companies and their advisers - accounting firms, Wall Street investment bankers and lawyers - help them find and exploit loopholes in the new rules.

In addition, Professor Beresford said, financial advisers sold progressively more multifarious, off the balance sheet partnerships and tax structures to help firms reduce their debt that were complicated even for financial professionals to comprehend when they were uncovered at Enron. An SEC study stated that some of the nation's major public companies still have not made their financial statements crystal clear for investors (Beresford, 2002).

After a slow start, efforts to close loopholes in rules governing accounting principles and the conduct of auditors and their clients seem to be gathering energy. The Financial Accounting Standards Board has addressed the issue of how to treat the off-the-books partnerships made infamous by Enron and is now dealing with the question of whether companies should count stock options as expenses. But analysts and accounting experts point out that many of the bookkeeping abuses of the 1990s, which led 330 companies to restate earnings last year and prompted the SEC to open 2,200 investigations of corporate finances, involved stretching or breaking rules and ethics guidelines that have been in place for decades. When corporations prepare income statements, they are required to follow generally accepted accounting principles, which determine what can be counted as revenue and what must be counted as expenses. Some of the rules are very specific, though others leave much open to interpretation. Here is a brief summary of some of the basic accounting principles that were overlooked or flouted during the past few years:

Revenue Recognition

Revenue recognition is the booking of revenue from the sale of products or services before they are delivered and was the leading reason for financial restatements by public companies in 2002, according to Huron Consulting Group LLC, a forensic accounting firm. Accounting rules say companies should book revenue only when a product has been shipped to a customer or when a service has been delivered to a client, experts say. Firms that flout the rules can be charged by the SEC. Rite-Aid, Xerox and Sunbeam Corporations, among many others, have settled revenue recognition cases with the SEC in recent years.

SEC officials spoke out about the issue in the late 1990s. The agency instructed real estate companies not to book rents before they were collected, according to Lynn E. Turner, the agency's former chief accountant. Turner said in a 1998 speech, "It seems as if all too often we are seeing instances of revenue recognized improperly" (Turner, 1998). Three years ago, the SEC went after executives at MicroStrategy Inc., the software maker, for booking revenue immediately when it should have been spread over the full term of contracts, the SEC said. Company officials, including chief executive Michael J. Saylor, settled the civil charges and restated the company's financial results. They were not charged with crimes.

Round-Tripping

In round-tripping, companies agree to sell a product or service to another company while at the same time buying nearly comparable goods or services from the same firm.

The transactions allowed both sides to book revenue from the deal. During the dot-com boom, revenue growth became an important measure because so few tech companies had profits. "It shows you a little bit of the stupidity of the time," said Bruce Gulliver, president of Jefferson Research and Management, a Portland, Oregon company that manages money and does independent research for wealthy individual and institutional investors. "Companies got to keep their stock price up just because they generated some revenue. We weren't even talking about profits here" (Gulliver, 2002).

Round-tripping is now the focus of multiple civil and criminal investigations, including an SEC and Justice Department probe of round-trip deals by America Online, and partners Homestore.com and Bertelsmann AG. Four former executives at Homestore have pleaded guilty to fraud and AOL has announced it will restate $190 million in revenues based on its round-trip deals. In addition, AOL could restate an additional $400 million that the SEC has called into question. Former SEC official Turner had criticized round-tripping in 1998, but the agency's enforcement division, hampered by a lack of resources, did not begin to investigate round-tripping until the end of 2001 (Turner, 1998).

Pension Optimism

Companies are supposed to estimate the rate at which their pension assets will increase over time, but extremely optimistic estimates can be used to distort earnings and strong market performance driving pension asset returns may mask mediocre operating performance. The issue dates to 1985, when an accounting change allowed companies such as Lockheed Martin, International Business Machines and General Motors to add millions of dollars to their bottom lines, based on an expected rise in value of pension assets they set aside for retirees. There is nothing illegal about this, since it is clearly allowed by the accounting rules. However, the SEC and the accounting standards board are reconsidering the issue to see if companies should be forced to make more transparent disclosures about how they handle pension assets.

This disclosure would prevent surprises, such as Lockheed Martin's announcement that its pension plan would cost as much as $100 million in expenses, rather than boost the bottom line by millions of dollars as it did during the boom. It might also prevent the kind of reduction in benefits experienced recently by retirees of Bethlehem Steel, which completed its bankruptcy proceedings this year, having under-funded its pension plan by $3.2 billion (Caruso, 2003).

CHAPTER X

THE MOB REACTS

Corporate injustice may predispose individual or group workplace abuse, otherwise known as mobbing, because it creates an environment where rules and regulations are ignored or even openly flouted. In this way, corporate deviance has direct as well as insidious effects on the quality of our democracy. Described in "The Ox Bow Incident," we understand that a mob behaves in a way no individual human would (Clark, 1978). In the worst-case scenario, we have a lynching or a holocaust. It has been referred to it as "barnyard mentality," similar to chickens pecking at weaker creatures of the same species. Normal moral behavior, even decent behavior, is discarded in the cases of the new manager whose staff decides to drive him out because they are suddenly expected to actually work or with the competent, but beautiful, new receptionist who is demolished by gossip from jealous co-workers.

The blame is projected on the victim, who becomes confused, has trouble perceiving that people could really do this and often accepts that he or she is incompetent. Dr. Heinz Leymann, the German industrial psychologist, is credited with identifying the syndrome in Europe, Japan and Australia, where he studied it for nearly 20 years (Namie & Namie, 2001). He lived in Sweden and estimated that in his own work, 15% of the suicides in Sweden were the result of mobbing in the workplace (Zap & Leymann, 1997). Mobbing is a particularly insidious form of emotional abuse, and the impact on the individual can be devastating. There are even cases of individuals unable to ever return to work. Mobbing is a serious behavioral risk-management issue for organizations. Morale, trust and initiative can be destroyed, and this can result in absenteeism, forced resignations, anxiety, paranoia, negativity and marginal production.

In the book, "Mobbing" (Davenport, 1999), there are even cases discussed where human resources managers were ordered by superior "mobbers" to support a mobbing process.

Like the French Revolution, the mob roams easily from victim to victim, the role of leader smoothly mutating to the role of victim when the mood of the mob shifts. It is important that counselors who deal with victims of these experiences view them as if they were victims of a violent crime (Lowman, 1993). These people are often otherwise healthy individuals left to heal from the wounds inflicted in the combat zones of a revived corporate barbarism, with its growing indifference for individual rights.

Toxic Handlers

When companies cause emotional pain because of inhumane bosses, layoffs and inevitable change, a certain type of "healing" manager frequently steps in to keep the mechanism of business from breaking down. These people have been referred to as “toxic handlers,” who voluntarily shoulder the sadness and anger that are often prevalent in organizational life (Frost, 1993). Toxic handlers are typically superior performers whose reputation affords them the job security to assume the role in the first place. These individuals are probably as old as society, for social groups have always generated tension, whether productive or unproductive. Research on topics such as organizational pain is often disparaged as being unrealistic. The criticism goes, "Those people don't understand how real organizations work. Companies cannot be bothered with making employees feel good. There is a bottom line to worry about." In the current market-based and knowledge-driven world, success is a function of novel ideas which spring from intelligent, energized and involved people. It is toxic handlers who frequently step in and absorb others' pain so that work continues to be done. Although they save organizations from self-destructing, these facilitators often pay a steep price professionally, psychologically and sometimes physically.

They represent the opposite side of the coin from the mobbed, and two trends in recent years have intensified the need for the toxic handler. First is the growing prevalence of corporate change initiatives (Jennings & Houghton, 2002). Reacting to the proposition that change is not just good, it is essential, many executives have spent the past decade reengineering, restructuring and reinventing their organizations. In many cases, such transformations have created enormous shareholder value, but they have invariably also caused confusion, fear and anguish among employees. Downsizing is the other trend that has increased the need for toxic handlers. Whenever a company lays off employees, the people left behind feel a backwash of guilt and fear.

By contrast, some organizational pain is chronic. The organizations themselves are toxic, consistently suffering through poor policies and even more harmful practices. Organizations that are chronically toxic are usually characterized by cultures of blame and dishonesty. No one takes responsibility for mistakes. In fact, people work diligently to cover them up. Toxic bosses can cause pain because they are unwilling or unable to take on the responsibilities of leadership. Others are noxious because of their strong need for control, hovering over people as they attempt to do their job. Finally, many such supervisors are unethical, creating conditions that compromise their colleagues and subordinates (Reed, 1993). Toxic bosses very often work in tandem with a toxic handler, since without handlers, they are more likely to be exposed, facing disciplinary action or even termination themselves. An example of the behavior of a toxic handler follows meetings filled with the supervisor's belligerent tirades, when a toxic handler would walk from office to office, explaining the boss's real opinions and assuring people he was not as angry as he seemed. In this way, they help the organizations they work for continue to function.

In addition to having a real effect on the toxic handlers' immune systems, there is empirical evidence that stress triggered by negative emotions can influence neural pathways in the brain (Bremner, 2002). As people think repeatedly about what makes them angry, stronger and stronger connecting circuits are built in their brains. This increases the level of emotional distress until a neural architecture is built that supports those feelings, and they become easier pathways to activate and run. The resulting toll of managing organizational pain in this way cannot be ignored.

An aspect of corporate life that makes organizational pain a difficult, even dangerous, topic to bring to the table is the cynicism these institutions often generate, regarding human sensitivity as a weakness. Organizations need to realize that effective "pain management" can contribute to the bottom line. There is a cost for human return on investment in terms of training, how steep a learning curve there is, which determines how long it will take a new hire to get up to speed, as well as the damaged reputation of this type of organization as perceived from within and without (Killian, 1976). The type of candidate who will apply is dictated by the organization's general reputation. As good people leave, the resulting group dynamic can shift to one that promotes a lesser standard of responsibility, which some people are comfortable with, leading them to hire peers who are looking for undemanding employment. A good firm can thus quickly become mediocre. Companies that wish to avoid these deleterious effects can provide employees with stress training or hire experienced consultants to do so. For these insightful organizations, employees who have felt alone in managing organizational stress or in caring for people who do, often learn that they are not alone.

CHAPTER XI

AN EVALUATION: COMMUNITIES OF MEANING EMPHASIZING THE VALUE OF PLACE

Corporate culture has been a vast historical wave, supportive of those whose natures fit with it, crashing over all competing desires for power and fulfillment, and carrying progress and industry to every other culture. It struck with such immense force that there seemed to be no escape, but the more massive the wave, the stronger the undertow. Like all heretical movements, the movement to reform corporations from the inside came into being because the prevailing institutions left a need unfulfilled. This lost quality, unnoticed and yet desperately needed, was the "vernacular" spirit of everyday life. As writer Ivan Illich points out, there is no better word for the quality of relationships and culture that dominated community life before the advent of the industrial age, when most work went unpaid and the workplace was indistinguishable from the hearth and commons (Illich, 1995). The word "vernacular" originally came from the Latin word for "homespun" or "homegrown," meaning anything rooted in the places where people lived. Romans originally used the term to refer to goods and services made not to be sold, but to be consumed by the maker. In the vernacular world, work and life and family are all intertwined in a skein of human relationships. Every exchange of goods is not just an economic transaction, but also an expression of the community's spirit. A barn-raising is a vernacular event, because the new building comes into being as an expression of the community's need for coordinated action. It has not been paid for with money. Thus, it has not been distilled through the universality of the marketplace-which, after all, doesn't care where a building might be most needed, but reflects only the will of the person who can pay for it. In a vernacular culture, every tool used symbolized the unwritten, heartfelt contract between the tool user and the community way of life.

With this kind of unformulated agreement, trust had to be based on something intrinsic to the relationship, and the most reliable foundation was the family. A family name was the individual's bond. At the same time the family took care of the individual's entire domestic concerns, educating children and caring for elders. Work and family could not be separated. Then the world shifted radically. Land that was formerly treated as a public commons began to be sold and enclosed, colonies created, labor paid for, bookkeeping established, books published and machinery built. Now an individual did not need to buttress his credit with his personal relationship with the family or guild. Individual capitalists could set out on their own, without being held back by their family's traditional views. The bold entrepreneurship of the "Robber Baron" era, some of whom became unprincipled extortionists while others genuinely sought to create the legacy of a more civilized world, resulted larger commercial enterprises than had ever existed before. As their companies grew, they believed that the sheer size of their expanded enterprises would isolate them from the whims and vagaries of their customers and suppliers. The corporations they built became living monuments to their intent to control the uncontrollable marketplace.

This new form of the corporation evolved quickly. The modern corporation was a hive of well-trained individuals, increasingly called "managers," with loosely overlapping responsibilities and channels of command that were referred to as "objectives" and "matrices." They all ultimately sat in judgment of each other through a form of mutual persecution called a "performance evaluation," but still acted together to comprise a single conscious entity, with powers and capabilities that the same number of trained people acting as individuals could never have equaled. To outsiders, top corporate managers might have seemed like supremely influential individuals, projecting their personalities onto the global perception of their own companies. With very few exceptions, however, chief executives tended to be unremarkable men. Most of them, as the economist John Kenneth Galbraith noted, usually retired into "Stygian darkness," their influence stemming from the power of the company and not the other way around ("A Crash Course in Galbraith," 2002).

If no one controlled it - no entrepreneur, no Robber Baron, no banker, no investor, no legislator and no monarch - then where had the power of the corporation come from? It came, in a very real sense, from magic. Magic, as the medievalist Jeffrey Burton Russell suggests, is a system of practice, uncanny to those who don't understand it, that attempts to manage, instead of simply accepting, the forces that shape human life (Russell, 1980). In the industrial era, the secrets of the temple were, simply enough, the magic of the numbers. The everyday rituals of financial analysis and control used in large corporations were so effective at managing life on a large scale, and so impenetrable to outsiders, that in any other age the wielders of the numbers would have been known as sorcerers or priests.

At General Electric, AT&T, Procter & Gamble and General Foods, encyclopedic manuals (sometimes called "blue books") dictated every aspect of workplace practice.

Formulas like these may have seemed painstaking and deadening to outsiders, but actually they represented a breakthrough in human capability. Like invocations, the numbers gave names to parts of the world that had previously been indistinct, abstract entities. Most magical of all, perhaps, was the fact that the predictions from the numbers tended to come true, at least in the years before 1973. By applying numerical sophistication, managers could treat human effort, capital and knowledge as commodities and see how those commodities would decrease or increase over time-on the scale of a community, a continent, or a civilization. The best managers could read a table of costs, sales, profit margins and earnings alongside a table of budget forecasts, and patterns would leap off the page. Of course, whenever there is a gain so great, then the corollary loss is usually equally large, though often times invisible. The financial conjuring of corporations, when it took over the enterprise of a firm, bulldozed away the vernacular way of life.

In a preindustrial town, if you had been a miller, you would not have envisioned selling your grain overseas for a higher price than you could get at home, at least not while people in the village went hungry. But the conjuring of the numbers made it possible to sell that grain anywhere, and loyalty to the village was abandoned for loyalty to an impersonal exchange that would better serve everyone in the long run, at least in theory. The great French historian of economic life, Fernand Braudel, closed his explication of civilization and capitalism in European history with a complaint, that big corporations, with their massive production units, had squeezed out the small, vibrant companies that represented the lifeblood of the local marketplace. "Public hostility," he wrote, "is accurately and rightly directed at the top" (Braudel, 2001).

Even within companies, many people did not know how to truly "think like a businessman," and those who knew were too busy to ponder the deeper implications of their work. They had lost the awareness of their purpose, the reasons they were in business in the first place. Corporate decision makers denied the innovations and safety measures they knew would do most for the common good, and they got in the habit of playing down genuine innovation or social responsibility. When there is no sense of purpose, the love of power and privilege often rushes eagerly to fill the void. In the 1950s and 1960s, the rewards of the corporate hierarchy grew disproportionately to the rest of society. James Roche, then chairman of General Motors, the highest-paid CEO in the country, made more than $900,000 per year in 1967, plus bonuses and stock options. That wasn't bad for a man with no university degree, who had worked his way up from a sixty-cent-per-hour statistical research job for Cadillac. A more typical salary for a chief executive was $450,000, enough to create a nearly aristocratic dynasty at the time. The salaries, moreover, were complemented by a wide variety of perquisites, most hidden from outside eyes. Many CEOs and senior managers went days without having to open their wallets, as their meals, laundry, transportation and entertainment simply arrived when needed (Berger & Berger, 2001).

Beginning in the late 1950s and early 1960s, a few heterodox managers saw how necessary it was to put back the vernacular into corporate culture. That would mean taking the best from both corporate knowledge and the vernacular concern for relationship, and fusing them into some kind of ethic of service. This understanding could only have existed against the backdrop of the counterculture. After all, the counterculture was a revolt against all institutional priesthoods, not just in corporations, but anywhere where the vernacular had been stripped away. To people in the counterculture, everything was personal, even technology and business. And as the influence of the counterculture spread, some managers began to question the prevailing assumptions of the corporations for which they worked.

By the early 1970s, a significant shift was already underway. It was far enough along that companies were ready to let a man like Michael Maccoby in their doors. In the late 1960's, Michael Maccoby (Maccoby, 1978), a Harvard educated American psychologist, began to investigate the personality of corporate "winners." Maccoby had just returned from three years in Cuernavaca, Mexico, where he had worked closely with the psychologist Eric Fromm. Since Ivan Illich was a neighbor there, Maccoby had been exposed in depth to Illich's theories about how professionalization and industrial development had destroyed the vernacular culture, and Maccoby had seen evidence of that himself. In his work with Fromm, he had spent hours in Mexican villages getting to know the people who lived there. Before the factories came, they spent their hours playing guitar, talking and playing basketball. Then the factories opened, and suddenly the villagers turned into automobile assembly line workers who did nothing during their time off except to watch television.

Maccoby began to wonder about the psychology of corporate technology. What went on inside people who created and sold technology? And, by extension, what went on inside people who designed technologies for mass warfare-bombs, missiles and the computers that guided them? Did these technologists realize the effect they had upon the world? Maccoby obtained funding from Harvard in 1968 for a study to discover the answers to his questions. John Young, who would later become CEO of Hewlett-Packard, was interested in understanding the human effects of corporate work. He wanted to know how to hire people at H-P who would become leading innovators and entrepreneurial risk takers, not just corporate bureaucrats. Young almost immediately approved Maccoby's study for H-P, and during the period from 1971 to 1974, Maccoby and a small research team visited ten different corporations including H-P, administering surveys and showing managers Rorschach ink blots. The managers were remarkably good at describing themselves and each other. At that time, there was a theory that most managers were primarily "organization men," driven by the need to belong and conform, and dedicating their lives to fitting into a hive-like whole. This theory came, in large measure, from the popular book, "The Organization Man," written in the mid-1950s by sociologist and journalist, William H. Whyte. The new "organization man" culture, Whyte argued, had pushed out the previous "Protestant ethic" culture of independent individualism (Whyte, 1956). Maccoby, fifteen years after Whyte, concluded that the organization man culture was dead, even in the corporate world. There were still "company men" (as Maccoby called them) in most firms, striving to fit into a bureaucratic mind-set, but they did not rise to the top of the hierarchy. The dominant people were motivated primarily by the desire to win, in the sense of winning a game, and Maccoby called these individuals "gamesmen."

The gamesmen were likable people. Their companies might be ruthless places, but as individuals they had a strong sense of benevolence and justice toward the people around them. Gamesmen looked after their own employees at the same time they relentlessly competed with each other. There was something innocent about the workplaces that gamesmen set up. Divorce rates were low and managers obviously cared about their families as much as they cared about their co-workers. But, in the end, there was something tragic about the gamesmen. After all, "there was something immature about it, as if playing to win was all that life was about" (Maccoby, 1978).

One of Maccoby's study questions - "Is there any technology you would oppose on moral grounds?" - produced a curious result depending on where it was asked. At major electronics companies, managers consistently replied, "We would never work for a chemical company. They produce napalm." Meanwhile, executives at Dow Chemical said, "We would never work for an electronics firm. They make bombs." At both kinds of industrial plants, managers consistently underreported the percentage of their company's business that went to military contracting. In reality, few of them felt much responsibility to the people outside their corporate enclave. Outsiders were seen as losers, but Maccoby, with his psychoanalytic training, also reported images of shame, self-betrayal, guilt and despair coming up again and again in the gamesmen's dreams. One manager dreamed of being buried alive, with a telephone in his casket. Another dreamed of wandering through a city of slimy skyscrapers, with corpses peering out of the windows.

One detail was so peculiarly disturbing that Maccoby left it out of his best-selling 1976 book, "The Gamesmen," based on this research, yet this detail was evident at all ten companies, not just Hewlett-Packard, and for all managerial types (Maccoby, 1978). Maccoby's team had asked managers to name the historical figure they most admired. The answers, almost without exception, fit into a very short list, Abraham Lincoln, John F. Kennedy, Robert Kennedy and Martin Luther King, Jr. It was an oddly consistent selection of admired men. Why, Maccoby wondered, would predominantly white managers select King? It took some time to notice that the one thing these heroes had in common was that they had all been assassinated. Did businesspeople feel betrayed in some fundamental way, as if they had given their lives to their jobs?

Transformation of Organization Development

Michael Maccoby's research supporting his theory of gamesmen may have radicalized the study of organizations and their managers, but the field of organization development or OD had already split into several branches, as its use became more prevalent in the corporate world over the past half century. In 1978, organizational development practitioner Noel Tichy published a chapter in a book by Warner Burke which analyzed the history and future of the field. The chapter began with two opinions from OD practitioners, some of whom believed that OD practitioners would be sought after because of the rapid pace of change, and that this would keep the profession viable and growing. Others thought that OD did not seem to be a profession and that the movement to establish its professional status was fostering an identity crisis about exactly what purpose organizational development served (Burke, 1978).

Conception Phase

The roots of OD clearly sprang from work in the late 1940s, when a group of MIT researchers led by Kurt Lewin launched the National Training Laboratory (NTL), which specialized in participatory action research and sensitivity training. NTL practitioners focused on taking their findings into organizational settings, and some began calling their work "organizational consulting." By the 1960s, OD groups emerged at major corporations and the field became more and more influential in setting the agenda for change.

Pioneering Phase

By 1964, leadership had emerged in the field. Consultants like Warren Bennis, Richard Beckhard, Jane Mouton and Ron Lippitt conducted training, consulting and research under the umbrella of OD, and prominent work in these areas encompassed two branches of the practice. The source of both can be traced to OD's conception phase in the 1950s. The first focused on interpersonal relations and humanistic psychology, whereas the second focused on organizations as systems. This latter approach emphasized the dynamics of the change process, work processes and structural change. By the late 1960s, the two pathways had become differentiated and OD became clearly identified with the second path, even though it continued to draw heavily on humanistic psychology. The separation of these two branches in OD contributed to a phenomenon that Andrew Pettigrew identified as the "single most pervasive source of tension" in pioneering an innovation, the tension between the missionaries and the pragmatists. The pragmatists lined up behind system change while the missionaries associated their original cause with humanistic psychology (Pettigrew, Ferlie & Mckee, 1992).

Self-Doubt Phase

Many factors undoubtedly contributed to this phase in OD's history. The general societal pessimism brought on by the Nixon era brought an end to federal support for large-scale liberal social change research. Political change, coupled with an economic recession, led to a general lessening in demand for OD activities. The promise of organizational development practitioners at the time, to nurture a better, more meaningful organizational environment, had been discredited in the eyes of many top-level corporate managers, calling their work "soft" or related solely to human relations. Implementation of OD projects within their organizations had frequently been characterized by a lack of involvement with these strategic decision makers, and a weakened follow-up role for OD practitioners, in which they were left to help ease tensions created by the strategic decision makers. Organizational practitioners were caught between the employees of the organization and these top managers. Internal consultants were often torn apart by these dual loyalties, and the external consultants were typically too uninvolved in the day-to-day workings of the organization to really understand the effects or actual objectives of their own innovations (Chowdhury, 2002).

In the 1980s Jack Welch (Welch & Byrne, 2001), CEO of General Electric, jump-started the engine of organizational design and development. Welch knew the company needed to avoid the threat of cultural inertia and hired Noel Tichy to shift GE's traditional training methods towards action oriented learning at GE's Crotonville Learning Center. Every course participant was required to work on real business issues and guide projects in their area to create and/or energize technical and cultural change in their area. In 1995, Welch read about the work of Roger Enrico, the former CEO of PepsiCo, in developing leadership talent. Enrico himself ran a five day action learning leadership program for PepsiCo vice-presidents. He taught an off-site program to prepare the group and coached each participant through a sixty-day change project individually, then led a three-day follow-up workshop. Welch started using the model at GE with each staff teaching a session. The incorporation of staff as teachers at GE's Crotonville helped to realize the concept that all staff needed to not only utilize OD skills at Crotonville, but had to be able to teach them as well. This embedded the success of GE in its people, from line staff to CEO.

Crotonville gives hope that the role of OD can be continued as that of teacher to apprentice, where there can be sufficient time spent in training of potential leaders to teach them the process of assuming the role of leader, researcher and practitioner, so that they can merge the processes of the school of human relations with that of organizational systems theory on their own. In this way, people with actual OD experience may be part of the decision-making team and others may contribute peripheral knowledge that will support the praxis of the "tempered radicals," who advocate change from within. At best, managers may more quickly know if there is a match between their own and the values of their organization, while learning more quickly from a position inside the company what its actual intentions and belief systems are. The position changes from the practice of OD evolve from a proscribed to an embedded experience. In addition, there may be an opportunity for organizational development professionals to help work toward the goal of revitalizing the American civic tradition.

The Future of Business

Moving beyond the study of organizational development, it is now appropriate to ask several forward-looking questions. Can existing business structures be reconfigured to truly educate and empower workers, rather than just give lip service to that goal? Can segments of the current world economy be localized in an authentic way, not just as a demonstration project that will be difficult to repeat without buttressing research grants with data to validate continued funding, so that a move can be made toward a practical application of the model? Will community-based corporations be created voluntarily, not by government edict, tailoring their charters to fill the needs of each community, and not some central ideology? Can the return to a more vernacular approach to business be driven by the realities of the unsubsidized marketplace, not in spite of them?

In reality, even as small, localized corporations serve community needs, larger corporations or networks of community organizations will continue to produce and deliver complex goods, such as computers and airplanes, that communities cannot efficiently produce for themselves. Community corporations can be an effective tool for moving toward self-reliance, not a totalitarian organizing principle for every part of the economy. But the question remains, can concerted community action through local organizations really set a nation's economic agenda or the world's? No corporation can exist without customers and investors. Diminish either group, and even the most powerful firm may collapse. Each community's own power to consume goods and services or to influence the owners of a company's stock represent the Achilles' heel of the powerful commercial behemoths, multinational corporations, that are now destroying many communities. With the right organizational skills and tremendous energy, even small groups can join together in a diligent effort to reverse the trend toward complete global dominance by these essentially undemocratic economic entities. If enough communities create localized corporations based on a new vision of social responsibility, and if enough consumers choose to buy and invest only in these firms, major corporations may well be forced to either adapt or die. A small number of self-reliant communities have been created in which every resident has a decent job that produces basic necessities for one and all. Other communities have visited, learned from and followed the examples of these innovators, which may represent the beginning of truly radical change.

Fighting the Good Fight

Major turning points in history have been defined by critical struggles. The Renaissance was a struggle between those who embraced myth and superstition, and those who sought empirical truth. The eighteenth and nineteenth centuries witnessed a struggle between monarchs who clung to power by birthright, and democrats who believed in the natural rights of all people to self-governance. The twentieth century has seen a struggle over the definition of progress, between social engineers who sought to conquer nature and ecologists who sought to achieve a balance within our environment. As basic as it may sound, the great struggle of the twenty-first century appears to be between those who believe in ever-cheaper goods and those who believe in place (Mattesich & Monsey, 1997). This is a fundamental struggle that defies easy ideological placement. Dissidents cross the political spectrum worry about the toll that continued unrestrained development and corporate dominance will take on nature, families and their local communities (Freeman, 1999). They are asking whether the future of civilization and humanity must be defined by an unlimited need to consume the latest "must have" electronic gadget, fashion accessory or sports utility vehicle that corporate marketing departments are certain to create the demand for on a massive scale (Zaltman, 2003).

What follows here are some examples of alternative organizations that have been developed to counter the corruption of American democracy and the American business community, as it has been documented throughout this work. These are some of the communities that have withstood the test of time long enough to have been acknowledged as viable praxis or tenable ideas, and there are likely to be many others in the future. These groups serve as the listening devices for the strange seismic resonance – the so-called long period events that let us know when to flee the volcano's pyroclastic blast or implosion – that may be on the horizon if society does not achieve a new balance with the environment and the practice of true democracy.

America has come far from its roots. They have been poisoned with toxic waste generated by corporations and the deus ex machina of the military-industrial complex. The depleted soil of America's early dream of democracy needs to be enriched, nurtured and shared by all (Hudson, 2001). There is a loosely organized group of dedicated communities around the world which are trying to think globally, yet act locally and preserve the physical and psychological environment from corporate abuse, as is elucidated by the following examples.

Gaviotas: Practicing Sustainability

Paolo Lugari is the founder of the solar village Gaviotas. It has existed for more than 30 years now east of the Andes in Colombia and nearly everyone who has been to the village calls it a heaven on earth. Lugari refers to his creation not as Utopia, but Topia. In Greek, the prefix "u" signifies "no," so Utopia literally means "no place." "It's just an idea, but Gaviotas is real. We've gone from fantasy to reality, from Utopia to Topia" (Weisman, 1999). When Lugari discovered the site, there were two crumbling warehouses left abandoned by a road crew from a failed attempt to cut a highway across the vast, wild, soggy South American savannah called the llanos. No one lived on the llanos at the time except a few ranchers and the Guahibo Indians, who maintained a subsistence level living by hunting and fishing in the mosquito-infested forests. The soil was so poor that nothing but tough native grasses could grow.

Lugari thought, "If people can live here, they can live anywhere" and proceeded to show that they could. His associates were the professors and students of the universities of Bogotá. Lugari would drop by the office of a mechanical engineer and ask, "Can you build a turbine efficient enough to generate electricity from a stream with just a one-meter drop?" He asked others "What can be grown in that soil?" He also posted announcements inviting doctoral theses on how to press oil from palm nuts, and how to make fiberboard out of llano grass.

Most of these experiments did not work, but necessity drove them to successful solutions. Guests and students from the academic community in Columbia and around the world found that 14 parts of the soil combined with one part cement dry into a stony substance that could be used for dams and buildings. They attached water pumps to seesaws and let the children that lived there to supply the pumping power. Ultra-light windmills and solar water heaters were invented that were so cheap and efficient that Gaviotas started a business in Bogotá, installing these devices everywhere from the President's residence to a 30,000 resident low-cost housing project.

Another technical and design achievement of Gaviotas is its hospital, which is cooled by the wind and heated by the sun. The sun also provides hot water, boiled water for sterilizing instruments, the heat for six pressure cookers in the kitchen and enough electricity for the lights. By the time the hospital was finished, Gaviotas had several hundred inhabitants, including the only doctors, nurses and teachers for hundreds of miles. Area residents came there for medical care and sent their children to the school.

The designers of Gaviotas found a Caribbean pine tree that could survive the harsh soil as long as they dipped the roots in a fungus missing from the local soil but present in the pine's native territory. They began to tap the gum that oozed from the plants and distill it using solar energy into turpentine and a prized resin used in paints, glues, cosmetics, perfume and medicines. There was a vast market for these products and they created a productive new industry. A byproduct of this commercial activity is that the pines dropped their needles and built up the soil with organic detritus. This cooled the ground, reduced the effects of wind erosion and raised the humidity, so that new types of plants sprang up beneath the pines. The rainforest had once grown throughout the area and now, through seeds carried by birds and once-dormant roots, it was reestablishing itself.

The Gaviotans, as the residents are known, live in peace even though they are surrounded by narcotics dealers and guerillas. They prosper without weapons and without pesticides, and are enthusiastically disposed to teach anyone who is interested in their sustainable lifestyle. They count their wealth in the humane values promoted by their community and believe important solutions to the need for development can come from anyone, anywhere, and most especially from the Third World itself (Weisman, 1999).

Findhorn: Shared Spirituality

The Findhorn Foundation is the educational and organizational cornerstone of the Findhorn Community, which considers its work to be supportive of the values of terrestrial service and co-creation with nature, in synchronicity with the divinity of all beings. Its members believe that humanity should be occupied in an evolutionary expansion of consciousness. They have no formal creed or doctrine, but most meditate and all acknowledge that the world's major religions represent some of the many paths to self-knowledge.

The Findhorn Community was begun in 1962 by Peter and Eileen Caddy and Dorothy Maclean. They had followed disciplined spiritual paths for many years and first came to northeast Scotland in 1957 to manage the run-down Cluny Hill Hotel in the town of Forres. This they did remarkably successfully. Eileen received guidance in her meditations from an inner divine source she called "the still small voice within." Peter ran the hotel according to this guidance, following to the letter the instructions of the "voice" in complete faith. In this unorthodox way, Cluny Hill swiftly became a thriving and successful four-star hotel. After several years, however, Peter and Eileen's employment was terminated, and with nowhere to go and little money, they moved with their three young sons and their friend Dorothy to a caravan in the nearby seaside village of Findhorn.

Feeding six people on unemployment benefits was difficult, so Peter decided to start growing vegetables. The land in the caravan park was sandy and dry but he persisted. Dorothy felt she was able to intuitively contact the over-lighting spirits of plants, who gave her instructions on how to make the most of their young garden. Peter put this insight into action with remarkable results. From the barren sandy soil grew huge plants, herbs and flowers in dozens of varieties, most notably the now legendary 40-pound cabbages. Horticultural experts came and were stunned with what they saw, and the garden at Findhorn became famous (Community Staff Findhorn, 1976).

Other people came to join the Caddys and Dorothy in their work and soon the original group of six grew into a small community, committed to spiritual growth and to expanding the garden in harmony with nature. A slim volume of Eileen's guidance was published in 1967 by the community's newly formed Findhorn Press, and word of this strange but amazing community spread further. New community members lived in caravans beside Peter and

Eileen's, and in specially built cedar wood bungalows that still house guests and workshop participants today.

In 1970, a young American spiritual teacher named David Spangler arrived in the community and helped to define and organize the spiritual education processes that have been a central support of the Findhorn Community ever since. The group began to offer nearly 200 week-long courses every year, as well as conferences, trainings and outreach programs composed of educational workshops around the world. In 1997, the Foundation was recognized as an official United Nations Non-Governmental Organization or NGO and has since participated in UN events such as Earth Summit and Habitat 2 (Hawken, 1980). Findhorn represents a clear alternative to the consumer culture that dominates much of the world and offers specific guidance for achieving spiritual harmony with the environment.

Twin Oaks Community: Revisiting Democracy

In June of 2002, Twin Oaks Community in Louisa, Virginia celebrated its 35th anniversary. Twin Oaks was founded in 1967 by a small, struggling group of communitarians committed to building a sustainable and egalitarian society. Since then, it has developed into one of the largest and most successful intentional communities in North America. While Twin Oaks has always been dedicated to the practice of nonviolence and egalitarianism, the past several years leading up to the millennium have seen the development of an increasingly ecological orientation, to such an extent that many now view Twin Oaks as an eco-village.

The community occupies 400 acres of land in rural central Virginia, about halfway between Richmond and Charlottesville. It is currently home to about 80 adult members and 15 children, though with community friends, guests and visitors frequently in residence, there are usually more than 100 people present on any given day. The vast majority of its members do almost all their work "on the farm," meaning on the Twin Oaks property. They work in community-owned businesses such as hammock making, soy food production and book indexing, as well as in domestic areas such as gardening, cooking and childcare. Community members pool incomes and resources, and live together in eight residences spread across the community. Every member works about 43 hours a week. In exchange, the community provides for all personal needs and many personal "wants." This resource sharing lifestyle enables members of Twin Oaks to live "lightly" on the earth, minimizing waste and inefficiency. They invest in collective goods such as an artificial pond, a volleyball court, a home theater, computers, shared music equipment and many other things.

This setting has enabled members to largely do away with driving vehicles within community boundaries. Most walk or bike to work areas. Several members serve as bicycle managers, taking responsibility for maintaining and repairing all the community's bikes. There are bike racks in front of the dining hall and in the central courtyard, and no bike is ever chained. Any member can use any available public bike. The bike managers are currently using money from the bicycle budget to purchase cheap, barely-functioning used bikes and upgrade them to workable condition, to ensure that enough bikes will always be available. Former Twin Oaks members have been instrumental in spreading "bike activism" to the surrounding area. In one recent example, one ex-member successfully lobbied to have Charlottesville add bike lanes to many of its roads.

The group shares a fleet of 8 cars and 10 other vehicles, including pickup trucks, vans and other work related vehicles, among all members. A structured vehicle sign-out system enables the coordination of travel schedules, and given how few cars are needed for the number of people there are, the community budget can afford to subsidize travel. The community's labor budget also funds a daily "bus" service to Louisa, a semi-weekly trip to Charlottesville and a weekly trip to Richmond, so that a single trip can take care of dozens of people's errands. The night before a trip, members submit descriptions of errands they need to accomplish and the assigned driver facilitates them all, purchasing chocolate for one member, returning another's borrowed videos, taking still another to a dentist appointment and so on. There is a community mechanic who keeps the cars in good shape and makes sure they emit only a minimum of pollution.

In addition to encouraging biking and minimizing driving, the "Twin Oaks lifestyle" strives to limit the use of fossil fuels in residences. Solar heated hot water is used throughout the community during the spring and summer, and one residence uses wood instead of propane for heating water during the winter. Scrap wood from the group's sawmill business is used for this heat, rather than relying on wood cut for this purpose alone. Ten percent of the population lives in a residence where electricity is generated by solar power. Several members have developed expertise in alternative energy systems, and the Twin Oaks labor credit system allows them to receive full credit for the expenditure of their time and effort in maintaining and improving these systems.

Twin Oaks is currently moving toward even more environmentally benign systems in other areas of the community. They have installed low-flow toilets in all of the residences, and have a functioning composting toilet. The organic garden provides an ever-increasing proportion of their food, and their tofu business uses locally grown organic soybeans to provide consumers with a low-impact alternative to meat. In general, Twin Oaks is continuously striving to use this unique resource-sharing social structure to live with minimal environmental disruption. In addition, they now operate a 3-week-long visitor program for people who are interested in experiencing this lifestyle, as well as for those who are considering joining as members. Also offered are "sustainability internships" for students and others with special interests or skills in sustainable living (Kinkade, 1994), (Komar, 1989). Twin Oaks is one of the most successful examples of a communal lifestyle that reduces the collective impact of the community on the environment.

Ideas for Reworking Government and Workplace Democracy

Despite the success of organizations like Findhorn and Twin Oaks, which create jobs within the community, most individuals in this country are forced to find work in the conventional manner, where protections for employees are frequently lacking, especially in an environment where organized labor is losing its clout. The number of unionized American jobs has dropped steadily since the middle of the 1950s, when the U.S. unionization rate hit a high of 53%, to its 1990s level of approximately 13%. One of the central functions of labor unions is to increase workplace democracy. Through collective bargaining, unions offer workers a means to fight for a fair share of the fruits of their labor, and unions are most workers only protection against arbitrary employer actions. Communal worker action, culminating in work stoppages, is the most effective tool for adding some measure of democracy to the modern and typically undemocratic workplace. Corporations are extremely authoritarian structures where workers have little democratic control, and the business community is open about this centralized, top-down authoritarian structure. Workers have little or no say in how they perform their jobs; they are simply told what to do. The human relations school of organizational practitioners has too often convinced American workers that they can be as free at work as they are on the outside. Through ideas such as "empowerment management," gurus have tried to convince employees that they actually have real power. This inconsistency between people's work reality and the ideal they hold about democracy is an essential organizing tool.

Nevertheless, in American popular consciousness the ideas of workplace democracy have been marginalized. With the downgrading of organized labor, many of the ideas that drove people to organize in the first place have been lost. Some people have come to accept that the imperfect democracy in the political realm is the only kind of democracy available. We elect our political leaders, but we do not elect the people who run our workplaces. If we pride ourselves on living in a democratic society why are workplaces often so undemocratic? Most people spend 40 hours a week at work and many spend much more. This nearly 25% of a worker's waking hours in an undemocratic structure. Besides the unequal power they hold over "their" workers' lives, large corporate shareholders, through their control over great wealth, have an enormous amount of power within the political system. These people buy influence in political parties, control the media, fund think tanks and organize themselves in business lobbying groups. They mold society's political, cultural and economic agenda for their own benefit. One method, central to countering this force are labor unions. It should thus come as no surprise that countries with higher unionization rates tend to have more vibrant political democracies and socially progressive governments. Sweden and Canada provide examples of such industrialized nations. Sweden has one of the most advanced welfare states and a unionization rate of around 80%. In addition, in Sweden, as well as other Scandinavian countries and Germany that have generally progressive social policies, workers have more shop floor decision-making power. Canadian unions are even involved at the forefront of the struggle to maintain Canada's Medicare system. As democracy reemerges on the urban streets with the anti-war movement and within the anti-capitalist globalization movement, it is important that movements towards workplace democracy also reemerge.

In a growing number of communities, the preferred currency is backed not by silver, gold or the dictates of the Federal Reserve, but by human labor. During the Great Depression, writes Barbara Brandt in Dollars and Sense (Morse, 1999), "hundreds of communities in the United States issued their own money." Banks had failed, savings had disappeared, but "farmers in these communities were still producing food, plenty of people without jobs still had skills and were willing to work, and municipalities and individuals still had needs. What was lacking was the financial 'connective tissue' that could allow local labor and resources to keep producing and recirculating. Local money systems provided that missing link." Today, such systems are resurfacing in an attempt to strengthen neighborhood ties, increase individual buying power and build more energetic local economies.

There may be as many as 3,000 community currency systems in use today around the world, Brandt notes. Since Ithaca, New York, launched its much publicized "Ithaca Dollars Program," communities across the country have created local currencies based on hours of labor, either valuing all labor at the same rate, as Ithaca does, or attributing market value to different services, and using coupons or centralized tallies of credits and debits. The local dollars amount to something like a barter system, the oldest form of currency, but it is not a direct quid pro quo. To personalize the process, you can cut someone's hair, they can baby-sit your sister's children and she can do your gardening for you.

Whether these projects will ever create a significant alternative to the dollar remains to be seen. "None of the systems is large enough to demonstrate whether they can prevent the drain of wealth out of a community, a frequently mentioned goal," Brandt writes. "Yet they give ordinary people the power to decide what is of value to them, and to make that value real through an economic mechanism circulating goods, services and social support they care about" (Morse, 1999).

Parecon: Participatory Economics

Another approach to democratizing local economic environments that exist outside of the fiscal and monetary system currently dominated by wealthy corporate interests involve paracon, where citizens participate in and provide direct input for the economic system. Participatory planning is the allocation component of participatory economics. Producers and consumers, organized in councils, cooperatively negotiate labor, resource and output allocations. The procedure organizes economic choices and simultaneously fosters participatory self-management. That is the vision, but realization results from long years of organizing, educating and fighting for short-term demands that embody the vision's basic principles and bring it incrementally closer toward reality. This kind of participatory planning rests on two primary pillars, democratic participatory councils and wide dispersal of all information relevant to economic decision-making. Thus, to establish or strengthen workplace or consumer councils and to increase access to information supports participatory planning. For example, efforts to win workers' rights to meet on the job in rank-and-file organizing sessions are very positive. Likewise, efforts to "open the books" of a company or governmental economic institution are also part and parcel of developing norms and consciously supporting participatory planning (Albert, 2003), (Chomsky, 2002).

Another reason to favor participatory planning is that it gets prices right. Rather than over-valuing goods with negative public effects or under-valuing them with beneficial public effects, parecon properly accounts for impacts "external to the buyer and seller," including specifically accounting for the full social impact on workers and the environment. In this way, intervening in markets to move prices toward true valuations promotes participatory planning. For example, demands to tax goods with bad environmental or human by-products (such as liquor, cigarettes or cars), or to subsidize goods with desirable impacts external to the "buyer and seller," such as health care, socially valuable skills training, parks, low-income housing and education, are all "pareconish." Parecon consumer or other movements should critique not only prices inflated by monopoly power, but even prices that are reasonable in market terms though unreasonable in social and human terms. These indicative prices reflect true social costs and benefits, and guard against alienated behavior and mechanistic ignorance of the human dimensions of economics. To incorporate into planning not only quantitative indicators, but also qualitative information about what goes into producing goods and what their consumption means to people, establishes their true value. It follows that demands for honest and comprehensive labeling and advertising, particularly including information bearing on the conditions for workers or a product's impact on broader social relationships, can also foster the values and mindset of parecon and contribute to its full implementation. One of the failures of market exchange is that it presses all actors toward individualist rather than collective consumption, even when this is harmful not only socially, but also to the direct participants. Parecon, in contrast, is able to offer collective as well as private solutions. For example, are private autos better than decent public transit for inner city travel? On a smaller scale, does it make sense for everyone in an apartment complex to be almost totally isolated from everyone else, getting no benefits from sharing collective goods?

Workers' councils are not the only place where citizens can usefully conceive of and fight for worthy demands. Not only can consumer movements resist excessive prices and push for the availability of qualitative information about government budgets and related matters, they can also locally plan how their members might benefit from pooling their resources and sharing purchases collectively. In parecon, unlike capitalism, collective consumption and investment are handled within a general planning process that gives each person proportionate input. This leads to collective consumption and investment interactively oriented toward the well-being and development of all actors. Thus, demands which seek to put people above profit in government economic choices are pareconish, whether we are talking about reducing military spending and curtailing corporate welfare, or expanding social spending on housing, health, welfare, education, social infrastructure and public art (Palast, 2002).

One way to affect government budgets is to agitate on behalf of better choices. Another way is to alter the processes by which town, city, county, state or national budgets are proposed and determined. Demands that increase public involvement and empowerment, particularly via fledgling council structures that could grow into parecon institutions, can improve our collective lot in the present and lay the groundwork for a preferred future. The demand is not for input into an unimportant subset of the budget, but into how options are proposed throughout the budget.

As an example of this need for input, "free" markets intrinsically pressure actors to work longer hours and enjoy less leisure. Competition does this job very efficiently, generating strong incentives to overwork and ensuring that if a few do increase their working hours, all others in related endeavors must do so as well, lest they suffer irreparable losses. Think of existing high-powered law firms to see that this occurs even against the desires of powerful people. The lawyers are pushed into endlessly raising their billable hours, taking on as many new clients as can be had, even beyond their own manic personalities and greed. If they relent, some other firm may become more powerful, gobbling up market share, and the non-manic firm runs the risk not merely of having more leisure at the cost of less income, but of losing their firm entirely. Thus, there is an upward spiral in work hours per week and a decline in vacation time. Comparing 1960 to 2000, this country could have the same per capita output now as then, but work literally half as many hours, say a four-hour workday or taking two weeks off every month, or a year on and then a year off, alternately over one's lifetimes (Hahnel, 1991). Making demands for this sort of change will be successful only if they arise from all levels of the socio-economic pyramid, but resistance to change is a powerful disincentive.

The Industrial Areas Foundation

The Industrial Areas Foundation or IAF was founded by organizer Saul Alinsky (Warren, 2001). Saul Alinsky wrote two books outlining his organizational principles and strategies, "Reveille for Radicals," (Alinsky, 1946/1991), and "Rules for Radicals," (Alinsky, 1989). In "Rules for Radicals," Alinsky proposes to present an arrangement of certain facts and general concepts of change, a step toward a science of revolution. He builds on the tactical principles of Machiavelli's "The Prince," (Machiavelli, 1984), which was written by that Renaissance tactician for the "haves" on how to hold power. By contrast, 'Rules for Radicals." was written for the Have-nots on how to take power away from those who have it. Alinsky's book is concerned with the acquisition of power, how to get it and how to use it. This was not to be done through assistance to the poor, or even by organizing the poor to demand assistance. The belief was that even if all the low-income individuals of our population were organized, they would not be powerful enough to get significant, basic, or even needed changes.

Alinsky advises the organizer to target the middle class, rather than the poor. Organization for action now and in the decades ahead should center upon America's white middle class. That is where the power is. Alinsky is interested in the middle class solely for its usefulness. Radicals and social activists have contemptuously rejected the values and way of life of the middle class. They have stigmatized it as materialistic, decadent, bourgeois, degenerate, imperialistic, war mongering, brutalized and corrupt. They were right, Alinsky thought, but we must begin from where we are if we are to build power for change, and the power and the people were in the middle class majority. To accomplish this goal, Alinsky wrote, the organizer must "begin to dissect and examine that way of life [the middle class lifestyle]. In order to know that the "square" was no longer to be dismissed as such — instead their own approach must be "square" enough to get the action started" (Alinsky, 1989). Alinsky urged the active and deliberate "consciousness-raising" of people through the technique of "popular education" (Bailey, 1976). Popular education is a method by which an organizer leads people to a class-based interpretation of their grievances, and to accept the organizer's systematic solutions to address those grievances. Through the "People's" Organization, these groups of citizens discover that what they considered to be primarily their individual problem is also the problem of others, and the only hope for solving an issue of such major proportions is by pooling all their efforts and strengths. This appreciation and conclusion is an educational process. "Rules for

Radicals," stresses organizational power collecting. The ego of the organizer needs to be stronger and more monumental than the ego of the leader he opposes. As Alinsky writes, "The leader is driven by the desire for power, while the organizer is driven by the desire to create. The organizer is in a true sense reaching for the highest level for which a man can reach, to create, to be a great creator, to play God" (Alinsky, 1989).

Alinsky's principles are still very much in force in the contemporary IAF. "All participants in the Industrial Areas Foundation national training programs are given a reprint of a 1933 article by John H. Randall, Jr. titled 'The Importance of Being Unprincipled.' The thesis is that because politics is nothing but the 'practical method of compromise,' only two kinds of people can afford the luxury of acting on principle . . . everyone else who wants to be effective in politics has to learn to be 'unprincipled' enough to compromise in order to see their principles succeed" (Rogers, 1990). This idea has been echoed by Ernesto Cortes, Southwest Regional Director of the IAF, who states that "One of the worst things you can be is overly principled. Everybody has got to compromise, adapt and change. One of the hard things we've always had to learn in the world as it is, that there are no permanent enemies and no permanent allies" (Rogers, 1990).

After Alinsky died in 1972, the foundation's leadership passed to Edward T. Chambers, who believed it was necessary to create a formal national network of community organizations with stronger links between the groups. The IAF is an organization of over 50 local affiliates around the United States, with several affiliates in Great Britain and one in South Africa. Membership in IAF local affiliates is by institution, rather than by individual. These institutions are most commonly religious congregations, but may include union locals, schools and health care centers. Organizing by institution, rather than by individual, has a number of practical advantages. One advantage is that it gives the appearance of greater political strength or support than the local organization may actually possess. Religious institutions such as churches are the backbone of the IAF. Churches have a pre-existing structure, access to money and an immediate moral credibility. The IAF handbook states that "one of the largest reservoirs of untapped power is the institution of the parish and congregation" ("A Commentary On The Industrial Areas Foundation," 1998). Religious institutions form the center of the organization. There are now twenty-eight IAF organizations nationwide, located in New York, New Jersey, Maryland, Texas, Tennessee, Arizona and California.

Another example is recorded by writer Harry Boyte. "We are not a grassroots organization," said the Rev. Johnny Youngblood, a key leader in the organization (New York IAF local East Brooklyn Churches), at one rally. "Grass roots are shallow roots. Grass roots are fragile roots. Our roots are deep roots." The IAF uses the local issues of its membership as a training ground for the larger IAF agenda (Boyte & Riessman, 1986). Ernesto Cortes, southwestern regional IAF director, writes something similar. "The organizer's issue gets dealt with last. If you want your issue to be dealt with first, you'll never build anything. So you lead with other people's issues, and you teach them how to act on their issues. Then you model what is to be reciprocal; you model what it is to have a long-term vision" ("A Commentary On Catholic Campaign For Human Development Funding Of The Industrial Areas Foundation," 1998).

The IAF has a number of activities that it is pursuing on a nationwide basis, but two are of immediate concern. These are in the areas of education reform and welfare. The IAF is promoting systemic change in education, involving a national agenda of education restructuring through its local affiliates. The IAF is laboring to create public consensus for a national system of education. The national educational system being implemented by the IAF goes well beyond provision of academic training, including health care and social services. The term "systemic change" is used frequently in documents by or about the IAF in regard to the IAF's intentions for public education. An IAF concept paper states that "The entire community must be meaningfully involved in the public education system and held accountable for its results" ("A Commentary On Catholic Campaign For Human Development Funding Of The Industrial Areas Foundation," 1998). Through IAF training sessions, parents and community members gain an understanding of where they fit within the system. The IAF belief is that, increasingly, schools will find it important to employ social workers that can coordinate necessary services and intervene on behalf of a child in need. Healthcare and dental services could be offered on-site. Schools will need to help working families make provision for after-school childcare and day care for pre-schoolers.

The Industrial Areas Foundation is also promoting systemic change in welfare reform. The IAF promotes reform that tends to focus on the preservation and increase of federal welfare funding. It promotes the transfer of federal funds into the hands of "mediating institutions" such as the parish church or congregation. Distribution of these funds then becomes the responsibility of the IAF organized mediating institution in conjunction with the needs of the community. One such program, an IAF-developed job training project designed to be run out of the churches, is under consideration as a model for national replication (Wilson, King, & Cortes, 1994).

Alinskyian organizing, like liberation theology, rejects objective or fixed truth. Charles Curran writes: "There are many similarities between Alinsky's community organization approach and liberation theology" (Curran, 2002). An important similarity between the two concerns the basic understanding of sociology and epistemology. Liberation theology rightly reacts against a value-free sociology with its claim of arriving at totally objective truth and its emphasis on quantitative analysis. A value-free approach by its very nature tends to identify with and reinforce the status quo. Knowledge is not as objective and independent of human involvement as was once thought, and the sociology of knowledge reminds us that all knowledge is situated and subject to prejudice. One must approach existing realities and thought patterns with ideological suspicion, because there is no dispassionate objectivity (Bell, 2001). Rationalization is an important human reality with which any organizer must come to grips. Alinskyian organizing, like liberation theology, is grounded on class analysis. Alinsky definitely sided with the powerless - the have-nots - in their struggle to develop themselves. Alinskyian organizing, like liberation theology, uses the technique of "popular education" or conscientization to change values (Freire, 2000). Curran writes that "Liberation theology gives great importance to Paulo Freire's pedagogy of the oppressed. In the process called 'conscientization,' through an unalienating and liberating cultural action, the oppressed person perceives and modifies one's relationship to the world" (Curran, 2002). Although Alinsky himself did not use the word "conscientization," there is no doubt that such a process is the cornerstone of his method. The people must learn that through their power they can bring about change (Freire, et al, 1980/2000). IAF seeks to teach groups like the Mexican/American community of San Antonio to build on and then transcend natural ties of family and ethnicity.

Alinskyian organizing encourages small base communities. The Baltimore IAF called "Baltimoreans United in Leadership Development." or "BUILD," is a group of participating pastors who are networked together in peer group, sharing experiences. They are trying to raise consensus-oriented decision-making models for "BUILD" as a whole on the foundation of their peer relationships, and some are beginning to see the need to share power within their own churches. Families are not large or diverse enough to perform such a function, but churches are too large. The contact must take place in a new, smaller form of association in some ways similar to the social units liberation theologians in Latin America have called comunidades ecclesiales de base, or small community-based organizations associated with the Catholic church.

Our nation, and in particular our urban areas, needs a new politics, one which recognizes that meaningful political participation on behalf of individuals, families and communities requires a politics that is both accessible and associational. There can be no meaningful political participation, no just and accountable public policy, without a politics that is accessible to those who are at the bottom of society and currently left out of the political process. And there can be no meaningful political participation for any citizen without a politics that is associational and deliberative, enabling individuals to come together to talk about their families, property, education and other issues important to all. This new politics is very different from the so-called democratic politics practiced today by both major political parties. It represents an authentically democratic politics. This new practice is absolutely essential for an useful, responsible public sector and for a just society. There is a dimension of politics and public life that is requisite to the human condition. Aristotle said it best, when he noted that we are social beings whose personhood emerges to the extent that we are involved in deliberations about those matters that affect the commons or the community, including education, the raising of children, the pressures on families, how families grow and thrive as well as what happens to property. For Aristotle, these deliberations, which took place around the agora or the public square, were politics. They defined politics (Rogers, 1990). The Industrial Areas Foundation shares this basic vision of politics. For more than fifty years, its primary mission has been to make this kind of deliberative politics a reality in communities throughout the United States. In short, the IAF teaches ordinary people how to do truly democratic politics, recognizing that this kind of activism requires a skilled craft, a special perspective and an exceptional attitude. It involves deliberative techniques such as the capacity to engage in the kind of conversation that is uniquely political in the best sense. IAF politics are not only associational, they are accessible.

Instead of real politics, every four years in the United States we have what Ernesto Cortes refers to as a "quadrennial electronic plebiscite," which has nothing at all to do with politics and everything to do with marketing (Cortes, 2000). That basically means there is only one political party, which is the party for those with lots of money. But the great unwashed, those who have no party, no connections, no relationships and no money do have the potential to develop the capacity to do politics, if only they are taught how. If only they can be connected to institutions, such as families, schools, congregations, unions and other voluntary associations, that can mentor, guide and teach them how to be relational and practice local politics effectively (Wilson, King & Cortes 1994), there is a chance for the revival of the kind of direct democracy practiced by the ancient Athenians. The deterioration of the institutions that encourage our capacity and willingness to participate in "democratic" politics has been documented. Authors from Robert Putnam to Benjamin Barber and Robert Bellah have written about the loss of civic capacity and the ability to engage in those kinds of negotiations that are important to and at the center of public life (Bellah, 1996), (Barber, 1994). Interestingly, Alexis de Tocqueville, the first observer of American political life, had a clear understanding of the important role that intermediate institutions played in American politics. He was the first to link them to the kind of culture requisite for the functioning and survival of American democracy.

In studying American politics during his visit here in 1831, Tocqueville developed a concern for what he called the Augustinian soul in American life. Part of what he meant was our apparent inclination to retreat from public life, becoming self-absorbed and narcissistic as individuals. But Tocqueville also saw a natural antidote for this narcissism and self-absorption, the face-to-face contact, engagement, conflict and negotiation that went on in local politics. Tocqueville was impressed that, while citizens took a strong interest in national political elections, the politics that really mattered were not those of the states or the nation, but the politics of the township and the school board. What he saw in these local politics was the capacity to engage in direct deliberations around schools, around townships and around all the issues important to each local community. Tocqueville even coined the term "associational democracy" in deference to the widespread practice of experiments in association. Through these various associations, people with differences would come together to bargain, negotiate and even engage in reciprocal activities such as raising barns and homes or building schools and roads. This face-to-face political engagement, according to Tocqueville, was the antidote to our tendency as a people for self-absorption (de Tocqueville, 2000). In this age of home theaters and computer video games, it now seems that this antidote has become severely diluted. For today's individualistic society, the most important right of every member of the community appears to be the right to be left alone, the right to be disconnected, the right to be apart. Nirvana is living in a gated community.

New Business Ideas

Having discussed some of the alternative communities and organizing principles that have evolved in the past few decades to counter the rising dominance of multinational corporations and their influence on the political process, it is now appropriate to examine a few of the leading proponents in the business world itself who have sought to change the nature of our corporate culture.

Ernesto Sirolli is a pioneer and practitioner of a bottom-up, person-centered approach to economic development. After six years of working in this field in Zambia, Kenya, the Ivory Coast, Algeria and Somalia, Ernesto Sirolli witnessed how little most foreign aid programs were actually doing for the people they hoped to help. These failures ranged from creating a communal tomato field on the banks of the Zambezi river - only to have it demolished by the river's hippos at harvest time - to donating snowplows to African nations - where only Mount Kilimanjaro maintains a persistent snow cap - and passing out thousands of solar ovens to African tribes who traditionally only cook at night. Despite the good intentions behind these misguided efforts at delivering assistance, Sirolli points out, inappropriate development often creates more problems than it solves (Sirolli, 1999).

This observation was the genesis of an exciting alternative to traditional economic development that has been successfully implemented in Canada, Australia, New Zealand and in fourteen urban and rural communities in the United States. Based on the fundamental principles that #1) big, modern and expensive is not necessarily the best solution and #2) if people don't ask for help, leave them alone, Sirolli developed an innovative program to revitalize urban and rural economies, one person at a time. Through "Enterprise Facilitation," depressed communities can build lasting hope and prosperity by first helping individuals to recognize their talents and their business passion, and then providing the skills and technology necessary to transform their dreams into meaningful and rewarding work.

In Esperance, Western Australia, a formerly depressed rural town of 10,000, Sirolli's methods of helping people with passion and drive connect with the skills and resources they need to succeed have created over 400 new businesses and over 1,000 jobs over a twelve-year span. None of the ideas for these businesses came from Sirolli or from planners. They came from the people of Esperance who had dreams of self-improvement and fulfillment, and who were prepared to work hard to achieve them. By helping to turn these dreams and ideas into viable businesses, Sirolli allowed the town to take responsibility for its own economic development rather than receiving handouts from distant donors. Over 200 communities worldwide have invested in Enterprise Facilitation programs, which have enabled them to turn the would-be entrepreneurs in their own backyards into engines of homegrown economic development. "Enterprise Facilitation is an extremely cost-effective way to generate new economic activity," says Sirolli (Sirolli, 1999). Corporate capitalism is deeply and inherently flawed. Its exploitive effects overseas are exacerbated by accelerating globalization and corporate dominance is destroying many living wage jobs in "advanced" capitalist countries. It is further impoverishing poor nations through so-called structural adjustment. Movements to resist exploitation by foreign capitalists and their local counterparts have been countered with repressive, often violent means, sometimes in the form of U.S. military and CIA intervention, as in Chile, Nicaragua and El Salvador. However, there is a new spirit of resistance growing in a number of third world countries. To counter corporate domination, citizens of the world must both build viable coalition political movements and organize networks of democratic, cooperative economic alternatives. As John Lawrence points out, the development of democratic worker cooperatives linked to a broader political movement can be part of a viable strategy to replace corporate capitalism (Lawrence, 2002). A crucial aspect of economic organizing is to promote networks of cooperatives as well as locally owned small businesses and microenterprises, as demonstrated by the work of the Sirolli Institute in Australia, Canada and various U.S. communities. Recently the Sirolli Institute began organizing from its new base in Sacramento, California. A major principle involved here is to promote local production for local and regional consumption. Locally owned small businesses help create needed jobs, keep money from flowing out of the community to corporate centers and build community cohesiveness. Enterprise facilitation can and should embrace democratic practices and values. Small enterprises, facilitated by technical assistance groups like the Sirolli Institute, can go far beyond the traditional business model to include democratic control by workers collaborating with managers.

Mondragon Cooperatives: Ownership of the Means of Production

Under capitalism, corporate shareholders own means of production. Often, these shareholders have no knowledge of the production process, nor are they are typically interested in production, but simply in receiving a good return on their investment. Under communism, the "community" owns the means of production. In practice, this means that state bureaucracy and party bosses are steering production. Under both economic systems, production processes are ultimately directed by people who lack the capacity and the specific knowledge to do so.

In the case of the network of Spanish cooperatives called Mondragon, each organizational unit is financed by members' contributions, so that workers own the means of production directly (Whyte & Whyte, 1988-1991). Every member, when entering, lends a substantial amount of money to the enterprise. The amount of this loan is fixed every year by a governing council called the "junta rectora." It usually corresponds to roughly the lowest annual salary, and candidates who do not have the cash can borrow it from the cooperative. Their salary during the first three years of membership is diminished by about one third as they pay back their loan. However it is accounted for, the contribution of each new member is allocated to the new owner-employee's internal capital account (ICA). An ICA is opened when a member enters the cooperative, and is closed when he or she leaves it. As an affirmation of true workplace democracy, every individual with an ICA has one vote in the General Assembly.

About fifty percent of each cooperative's profits are also allocated to every members ICA. In addition, the member receives 6 percent interest on his or her ICA every year. When a member leaves the cooperative, usually at retirement, they receive the capital in their ICA, the ICA is closed and the right to vote is cancelled. By the age of retirement, the amount saved within the typical ICA can be substantial.

It is important to note that the principle of "one person-one vote" is strictly applied at Mondragon. Those with more money in their ICAs do not have increased voting rights. This creates a new kind of participatory "ownership" which in unlike any ownership structure for corporate shareholders. The owner-employee's of Mondragon can only transfer their account, not sell it. Those who are members elect their successors, but workers in each cooperative do not consider the organization to be their possession in any typical way. As a result, the very concept of "ownership" loses much of its usual meaning, and the idea of "ownership feeling" is not very important. What is important is the feeling of self-determination by the workers.

The Mondragon cooperatives are extremely successful in motivating managers. This is probably affected by the fact that managers are not subordinated to stockholders with no connection to the firm. Still, in order to remain competitive within a capitalistic economy, the managers are pressed to introduce techniques and measures that sometimes lessen the self-determination of blue-collar workers. Although the Mondragon type of "ownership" constitutes a vital step forward, it does not automatically induce worker self-determination and intrinsic motivation on the shop floor (Cheney, 1999).

An important problem to be solved is that of democracy on the work floor. The participatory role of the rank-and-file co-op member is essentially limited to their electing two members to the Governing Council every two years. This is done by majority vote in the General Assembly that usually assembles once a year. Besides voting in two of the six elect-able members of the Governing Council for staggered terms, the General Assembly decides whether or not to accept the annual business report and votes on some basic matters like the internal rate of interest to be paid on equity accounts as well as the level of threshold payments for new members.

The Governing Council has nine members who appoint the management group for a period of four years. This structure resembles that of a classic representative democracy, with the voting at the general Assembly corresponding to a general election, the Governing Council playing the role of a parliament and the management functioning as a kind of government. After their appointment, the management has considerable autonomy. There are two advisory councils, the Management Council and the Social Council. As long as the management operates within their guidelines, they remain independent, although, of course, they are at risk of missing their reappointment when the four-year term is over. There are also direct-democratic decision channels. Workers can demand a meeting of the General Assembly. To do so they have to collect signatures, just as for a legislative initiative. When one third of the workers demand it, the General Assembly of the cooperative is convoked. Although it has only an advisory role, the Social Council can also convoke a General Assembly. The democratic structures in the Mondragon co-ops are sound.

Salaries, called anticipios, are based on job ratings. Ratings are numerical rankings given to each job depending upon skill level, responsibility and such personal attributes of the worker as seniority and pace of work. Job ratings increase by increments of .05, from a low of 1.0 to a high of 3.0. These indices are then converted into a pay scale in which the highest-paid director earns about 4.5 times the salary of the lowest-paid production worker. This slight difference between the earnings of workers and managers is considered one of the most egalitarian attributes of the system. Actually, this spread is considered broad by the members of Mondragon. In the absence of labor market mechanisms, it would be narrowed substantially. Factors such as the monotonous nature of many blue-collar jobs would be translated into higher ratings, whereas the pleasant character of more intellectual jobs would lead to lowering the ratings for intellectual and managerial jobs.

Economic association within the cooperative complex can replace economic competition, according to Mark Lutz.

> What is really crucially important is the simple conclusion that we now have a living and prosperous example of an alternative to the capitalistic absentee-owned corporation. Economic democracy can indeed be made to work on a rather massive scale, and no capitalist corporation seems capable of really threatening its success in the marketplace. This is the lesson from Mondragon. At the same time, it must be remembered that this new structure of an enterprise is not a panacea for the solution of all economic problems. As long as we have an international and global economy with low wage producers in China and elsewhere, it is doubtful that even the best organized and most efficient co-op can remain competitive in the long run. It is too early to assess the Mondragon response to this challenge, but in theory there seems only one practical option that does not undermine the ethical principles on which everything is built: to create co-operative firms abroad that would be associated with the Mondragon group. In so doing, the new economics of industrial co-operatives could spread around the globe in an even more impressive manner. Time will tell whether this path is or even can be chosen. (Lutz, 1997)

The Mondragon groups are unlike conventional businesses, which rank their priorities in the order capital-product-managers-employees. Mondragon ranks its priorities in exactly the opposite order, employees-managers-product-capital. People are given the highest priority and things the lowest. People are not fired to increase profits, they are well-utilized to increase profits. Keeping and providing additional jobs in the "relationship economy" is their highest priority. Many have said when you walk through a Mondragon factory, you feel like you are visiting in someone's kitchen or working at a community fund-raising event, and yet the productivity of cooperative members is the highest in Spain (Mollner, 1994).

Semco: The Atypical, Typical Corporation

In Brazil, where paternalism and the family business fiefdom still flourish, Ricardo Semler (Semler, 1993) is president of a manufacturing company that treats its 800 employees like responsible adults. Most of them, including factory workers, set their own working hours. All have access to the company books. The vast majority of workers vote on many important corporate decisions. Everyone is paid by the month, regardless of job description, and more than 150 of the management set their own salaries and bonuses.

This may sound like an unconventional way to run a business, but it seems to work. Close to financial disaster in 1980, Semco is now one of Brazil's fastest growing companies, with a profit margin in 1988 of 10% on sales of $37 million. Semco's five factories produce a range of sophisticated products, including machine pumps, digital scanners, commercial dishwashers, truck filters and mixing equipment for everything from bubble gum to rocket fuel. Customers include Alcoa, Saab and General Motors. They have built a number of cookie factories for Nabisco, Nestle and United Biscuits. Management associations, labor unions and press have repeatedly named Semco the best company in Brazil for employees. The company no longer advertises job positions. Word of mouth generates up to

300 applications for every available position. The top five managers, called counselors, include a former human resources director of Ford Brazil, a 15-year veteran Chrysler executive and a man who left his job as president of a larger company to come to Semco.

When Semler joined the company in 1980, 27 years after his father founded it, Semco had about 100 employees who manufactured hydraulic pumps for ships. The company generated about $4 million in revenues and teetered on the brink of catastrophe. All through 1981 and 1982, they ran from bank to bank looking for loans and fought persistent, well-founded rumors that the company was in danger of going under. Employees often stayed through the night reading files and searching the desk drawers of veteran executives for clues about contracts long since privately made and privately forgotten. Most managers and outside board members agreed on two immediate needs, to professionalize and to diversify the firm. In fact, both of these measures had been discussed for years, but had never progressed beyond a dream.

For two years, holding on by their fingertips, Semco sought licenses to manufacture other companies' products in Brazil. They traveled constantly. The company lacked an international reputation and so did the country. Brazil's political eccentricities and draconian business regulations scared away many companies. Still, good luck and a relentless program of beating the corporate bushes on four continents paid off. By 1982, they had signed seven license agreements. The marine division, once the entire company, was now down to 60% of total sales. Moreover, the managers and directors were all professionals with no connection to the family. With Semco back on its feet, the business entered an acquisitions phase that cost millions of dollars in expenditures and millions more in losses over the next two or three years. All this growth was financed by banks at interest rates that were generally above the rate of inflation, which ranged from 40% to 900% annually. There was no long-term money in Brazil at that time, so all those loans had maximum terms of 90 days. They got no money from the government or from incentive agencies either, and never paid out a dime in graft or bribes. How did they survive? With hard work, of course, and the good luck that is fundamental to all business success. However, most importantly, were the drastic changes they made in the concept of management.

Semco has three fundamental values on which are based some 30 management programs. These values - democracy, profit sharing and information - work in a complicated circle, with each dependent on the other two. If one were eliminated, the others would be meaningless. The corporate structure, employee freedoms, union relations, and factory size limitations are all products of the commitment to these principles. There is no contest between the company that buys the grudging compliance of its work force and the company, like Semco, that enjoys the enterprising participation of its employees. Much of the time, participatory management is just talk. Not that those intentions are not good. It's just that implementing employee involvement is so complex, so difficult and so frustrating that it is easier to talk the talk than to actually do the deed.

The company found four big obstacles to effective participatory management, size, hierarchy, lack of motivation and ignorance. In a huge production unit, people can feel tiny, nameless and incapable of exerting influence on the way work is done or on the final profit made. This sense of helplessness was underlined by managers who, jealous of their power and prerogatives, refused to let subordinates make any decisions for themselves. But even if size and hierarchy can be overcome, why should workers care about productivity and company profits? Even if they care, how can they tell when they're doing the right thing?

At Semco, the production unit consists of about 150 people. The exact number is open to argument, but it is clear that several thousand people in one facility make individual involvement an illusion. When the company made the decision to keep the units small, they immediately focused on one facility that had more than 300 people. The unit manufactured commercial food-service equipment such as slicers, scales, meat grinders and mixers, and used a system hooked up to a inefficient mainframe with dozens of terminals all over the plant. Paperwork often took two days to make its way from one end of the factory to the other. Excess inventories, late delivery and quality problems were common. They had tried worker participation programs, quality circles, Kanban Systems and motivation schemes, all of which got off to great starts but lost momentum within months. The whole thing was just too complex and there were too many managers in too many layers holding too many meetings. Therefore, it was decided to break up the facility into three separate plants. To begin with, all three were kept in the same building, but they separated everything they could, including entrances, receiving docks, inventories and telephones, as well as certain auxiliary functions like personnel, management information systems and internal controls. They also scrapped the mainframe in favor of three independent, PC-based systems. Within a year, sales doubled, inventories fell from 136 days to 46, eight new products that had been stalled in R&D for two years were unveiled and overall quality improved to the point that a one-third rejection rate on federally inspected scales dropped to less than 1%. Increased productivity allowed the work force to be reduced by 32% through attrition and retirement incentives.

Size reduction alone did not accomplish all this, but size reduction is essential for putting employees in touch with one another so they can coordinate their work. The kind of distance to eliminate comes from having too many people in one place, but it also comes from having a pyramidal hierarchy. The organizational pyramid is the cause of much corporate evil, because the tip is too far from the base. Pyramids emphasize power, promote insecurity, distort communications, hobble interaction and make it very difficult for the people who plan and the people who execute to move in the same direction. Semco designed an organizational circle. Its greatest advantage is to reduce management levels to three, one corporate level and two operating levels at the manufacturing unit.

These consist of three concentric circles. One tiny, central circle contains the five people who integrate the company's movements. These are the counselors mentioned before. A second, larger circle contains the heads of the eight divisions called partners. Finally, a third, huge circle holds all the other employees. Most of them are called associates. They do the research, design, sales and manufacturing work and have no one reporting to them on a regular basis. There are counselors, partners, coordinators, and associates. That's four titles and three management layers. The linchpins of the system are the coordinators, a group that includes everyone formerly called foreman, supervisor, manager, head or chief. The only people who report to coordinators are associates. No coordinator reports to another coordinator and it is this feature of the system that ensures the reduction in management layers.

Leadership is valued, but it is not the only thing that is valued. In marine pumps, for example, there is an applications engineer who can look at the layout of a ship and then focus on one particular pump and say, "That pump will fail if you take this thing north of the Arctic Circle." He makes a lot more money than the person who manages his unit. There are many managers, but this man knows what kind of pump will work in the Arctic, and that's worth more. Associates often make higher salaries than coordinators and partners, and they can increase their status and compensation without entering the management track.

Managers are not hired or promoted until they have been interviewed and accepted by all their future subordinates. Twice a year, subordinates evaluate managers. Also twice a year, everyone in the company anonymously fills out a questionnaire about company credibility and top management competence. Among other things, the employees are asked what it would take to make them quit or go on strike. With rare exceptions, this approach has been successful. There have two or three strikes, but they were quickly settled, especially once the strikers saw they would neither be locked out of the plant nor would their benefits be suspended during the work stoppage. They were even able to plan ongoing strike tactics while eating lunch in the company cafeteria. A few employees take wholesale advantage of open stockrooms and the trusting atmosphere, but they were found and prosecuted without putting in place a lot of insulting watchdog procedures for the nine out of ten who are honest. The group has seen a few cases of greed when people set their own salaries too high, tried a few experiments that were later backed away from and accepted occasional democratic decisions that were disliked, but they learned to live with the process. Loyalty at Semco is high, quality is excellent and sales and profits are surprisingly good for a manufacturing company in one of the world's most difficult business environments. Nevertheless, in Brazil, no state of the economy is permanent.

In 1990, the jolt that sent Semco into a new experiment came from the minister of finance, who, believing Brazil's inflation was simply the result of too much money being used for too much speculation, seized 80% of the country's cash and introduced an extended period of economic bedlam. Employers could not meet payrolls. Consumer spending vanished. Business spending shuddered to a halt. Bankruptcies soared. Semco, had several months of zero sales. What company was going to buy machinery with a ten-month delivery schedule when it didn't know if it could last out the week? Worse, back orders were canceled, or customers simply went out of business. Everything was tried until, suddenly, the shop floor committee came to the counselors and said, "Okay, we'll take a 30% pay cut, but on three conditions." The first was an increase in their profit sharing by 15%, from just under 24% to just under 39%, until they got back up to their former salary levels. The second was that management accept a 40% pay cut. And the third was that a member of the union committee would co-sign every check we wrote because the workers wanted to be absolutely certain that their sacrifice would be worthwhile. Lower pay and higher profit sharing helped Semco profit in the leanest times. By the second month, they actually were covering expenses. In the drive to save, the workers took on more and more of the former contract work. They did security and cleaning, drove trucks and even cooked the food in the cafeteria. No expense went unchallenged, and for four or five months, the firm made a small profit in the worst economic times anyone had ever seen. The explosion of energy, inventiveness and flexibility the company witnessed was very attractive. When they added in several other factors - including the need to cut outstanding labor costs, the demands of Brazilian labor law and the dynamic example of their own particular Nucleus of Technological Innovation - what began taking shape was a radically new principle of organization.

Years ago, in the mid-1980s, three Semco engineers proposed a new kind of work unit. They wanted to take a small group of people raised in Semco's culture and familiar with its products and set them free. The new group would not have to worry about production problems, sales, inventory, equipment maintenance, delivery schedules, or personnel. Instead, they would invent new products, improve old ones, refine marketing strategies, uncover production inefficiencies and dream up new lines of business. They would have no boss and no subordinates. They would pick their own focus, set their own agendas and have complete freedom to change their minds. Twice a year they would report to senior management, which would decide whether or not to keep them on for another six months. The three engineers suggested the new unit be called the Nucleus of Technological Innovation (NTI) and proposed themselves as its first three members. Semco bought their odd idea, and then worked out an odd form of compensation to go along with it. Their guaranteed salaries went sharply down, but they would now share in the proceeds of their inventions, innovations, and improvements. They would receive a percentage of any savings they introduced, royalties on any new products they devised, a share of the profits on their inventions and they would be free to sell consulting services on the open market.

By the end of their first six months, NTI had 18 projects underway, and over the next few years, they developed such an array of inventions, changes and refinements that NTI's members began to prosper substantially and Semco became wedded to their constant innovation and reform. By 1990, they began to NTI the entire company, liberate more creativity, tie compensation even more specifically to performance, loosen the ties that bound everyone together and scramble the overall structure. The 30% pay cut and cost reduction scheme had given them a breathing space of several months, but with the Brazilian economy in a slump with no imminent prospect for recovery, the company had to become permanently leaner and more flexible. At the same time, of course, they had a commitment to the work force that was central to the way they did business. That commitment had been the principal reason for avoiding layoffs.

For most other companies, there was another reason for avoiding layoffs as well. Brazilian labor law protects laid-off workers by granting them several different forms of special compensation. The largest of these comes from an individual fund for each worker to which the employer contributes 8% of wages every month. When people are fired or retire, they collect all this accumulated money, plus interest, in the form of a lump sum. Less substantial, but unlike the 8% fund, a great problem for many employers is severance pay itself. This is paid on the spot out of current income and can amount to two year's salary in the case of workers with substantial seniority.

In this environment, Semco's sales had gradually increased again, and they were making enough money to restore salaries to where they had been before the 30% cut. They were surviving in a crisis economy, but only barely, and began to face the fact that they had to cut their permanent staff and contract out more of the work. Everyone looked hard for a way of doing it without destroying the support system that Semco people lived by, and it was here that NTI's free-form structure suggested a solution. Instead of giving contracts out to strangers, it was decided that the business could just as well give contracts to their own employees. They were encouraged to leave the Semco payroll and start their own satellite enterprises, doing work, at least initially, for Semco alone. Like NTI, these satellites could stay under the larger umbrella of Semco by leasing their machines, even working in their plants. Like NTI, they could also do work for other companies, again on company machines and in Semco factories. Their compensation would take a variety of forms, including contract payment, royalties, commissions, profit sharing and piecework. Like NTI, they could have some beginning guarantees. In particular, the corporation would offer all of them some contract work to cut their teeth on, and lease payments on all equipment and space would be deferred for two full years.

This satellite program would have obvious advantages for Semco. They could reduce payroll, cut inventory costs by spreading out raw materials and spare parts among the new suppliers, and yet enjoy the advantage of having subcontractors who knew their business as well as the idiosyncrasies of the company and its customers. Moreover, the company would pick up the benefit of entrepreneurial motivation. Because of profit sharing, employees already worked evenings and weekends when necessary, without any prompting from management. Being in business for themselves would raise their sense of involvement higher still. What were the added benefits for company workers to run a satellite? To begin with, there would be a chance for higher earnings in the midst of economic bedlam. To begin with, of course, they all had the chance to make many times more than what they could earn at Semco if the economy straightened out. Of course, that was a big if, because should the recession persist, they might make less. But this was only assuming they continued to have a job at Semco, which was becoming an even bigger if with every day that passed. The fact was, they had distressingly few choices and so did the business.

Semco eased the transition in every way it could. They created a team of executives to teach cost control, pricing, maintenance and inventory management. To provide seed money, they gave people lay-off payments on top of severance pay and all the other legally required benefits. Many also made use of their 8% nest-egg funds. No one was forced to start a satellite. Some took their severance and left. Some managed to stay on the Semco payroll for months or permanently. Despite the difficulties, satellites sprang up quickly. White-collar workers were the first to convert. Tax accountants, human resource staffers and computer programmers all went off on their own. Then blue-collar workers in food service and refrigeration systems followed suit.

Today, about half the manufacturing Semco once did in-house has gone to satellites, and the company plans to farm out another 10% to 20% in the coming years. To this day, only one satellite has failed. Some are expanding and looking for partners. Some satellite workers have been re-hired by the company, and a few have moved repeatedly back and forth between satellite and employee status as their needs and Semco's have shifted. Some satellites have broadened their scope so greatly that most of their time is spent with customers and production partners who have no other connection with Semco.

In 1990, Semco had about 500 employees. Today, they have about 200, plus at least that many in the satellites, with another 50 or 60 people who work for both a satellite and Semco part-time. There are employees with fixed salaries, but other employees have variable salaries made up of royalties or bonuses based on self-set objectives like cash flow, sales, profits, production units, or any one of a dozen other measures. Employees with both fixed and variable salaries are prevalent and all employees share in Semco's profits.

On the satellite side, compensation may take the form of a fixed fee, an hourly stipend, a percentage of increased sales, a finder's fee, an honorarium, a retainer converting to an advance converting to a royalty or even a simple win-or-lose commission. In one plant, a large room full of desks and computer was set aside to give everyone within the company sphere a place to sit, plan, ask questions and solve problems. This is the Thinkodrome, and it's a busy yet quiet place. That Semco survives at all is owed in large part to surrounding itself with people who look at everything they do and ask why they can't do it better or cheaper or faster or in some entirely novel way.

At the center of Semco is a group of six so-called counselors, and each takes six-month turns as acting CEO. They also do six-month as opposed to yearly budgeting, because an annual budget tempts managers to postpone unpleasant decisions to the third and fourth quarters. The budget cycles are January to June and July to December, but the CEO cycles begin in March and September. In other words, they avoid what other companies and shareholders think they want, with responsibility nailed down to a single man or woman. The CEOs, instead, do not wear themselves out trying to meet quarterly financial goals, and there is no one person to blame if the company fails. When financial performance is one person's problem, then everyone else can relax. At Semco, a CEO gets to pass on the baton, but it comes back again two-and-a-half years later.

One consequence of this system is the company's recognition that people need to keep each other well informed, which they do at regular weekly divisional meetings and biweekly interdivisional meetings. All these meetings are open and optional, and those who attend make decisions that those who don't may simply have to live with. This self-selecting element in decision-making is another consequence of the deliberate fragmentation of responsibility. The people who get responsibility are the ones who seek it out. In fact, the actual, ad hoc control structure that is worked with from day to day builds on this principle and on two others that, together, create a kind of invisible order from the apparent chaos that characterizes the Semco environment. The first principle holds that information is the ultimate source of virtually all power. For this reason, managers try to make all of it available to everyone. All meetings are open. Designs and specifications are shared. The company's books are open for inspection by employees and for auditing by their unions. In short, everyone tries to undercut and eliminate the process of filtering and negotiating information that goes on in so many other corporations. Meetings are chaired by the person who knows most about the subject under discussion, rather than by the person who has the highest declared status or apparent income. The second principle is that the responsibility for any task belongs to the person who claims it, and the third is that profit sharing for employees and success-oriented compensation for satellite enterprises will spread responsibility across the

Semco network. With income and security at risk and with information readily available, people try hard to stay aware of everyone else's performance.

Semco maintains a limited number of functions in-house, including top management, applications engineering, some R&D and high-tech positions and capital-intensive skills. They don't care how everything else gets done, whether by contractors or subcontractors, satellites or nonsatellites, former employees or by the very people who do the same thing for their competition. None of that matters.

When these changes began, people warned then that all sorts of information about the company would get into the wrong hands, and that they had to protect themselves. The same argument was heard when they started distributing profit-and-loss statements to the employees. But Semco feels it is a waste of time to worry about leaks. First, no one knows any longer whose the wrong hands are. Their competition used to be a company a mile away that made the same products they did, but now the competition comes from

Taiwan and Finland. Second, they claim never to have seen a company taken over because someone had seen its 10K or the specifications for a particular valve. Third, they want to be a moving target.

People also warned them about the loss of central goal setting and control, according to Ricardo Semler.

> We have limited control over the day-to-day behavior of the people who make most of our components, but so do companies that do all their work in-house. At least none of our satellite people works nine to five and leaves their problems at the plant when they go home at night, which means leaving them to management. We have motivation and responsibility working on our side. Our satellite workers are in business for themselves, so they'll work all night to complete an order to specification and on time. In addition, if the order is late or fails to meet our quality standards, then we're free to give the next order to someone else. We can forget the witch-hunt and all the grief that goes into firing people or not promoting them. As for planning and the control it presupposes, I think good planning is always situational. Thinking about the future is a useful, necessary exercise, but translating such conjecture into "Strategic Planning" is worse than useless. Strategic planning leads us to make things happen that fly full in the face of reality and opportunity. (Semler, 1993)

For example, Semco is today in the environmental consulting business. The gadfly NTI group was looking at one customer's need for an environmentally active pump that would shred and process the material it moved, and saw that the company could reengineer its production line to do away with the pump altogether. Had they thought "we're in the pump business, not the environmental business," they might never have pursued that solution to the problem. When it was over, they acquired a small environmental consulting firm to flesh out their own limited expertise. More recently, they've entered into a joint venture with one of the world's leading environmental consulting firms.

What goes for planning goes equally for culture, vision and responsibility. Fragmentation is strength in all these areas. No one can impose corporate consciousness from above. It moves and shifts with every day and every worker. Like planning, vision at its best is dynamic and dispersed. At Semco, so is responsibility. There is little control, even less organization and no conventional discipline at all. People come and go whenever they like and many set their own compensation. The point is simple, but perhaps not obvious. Semco has abandoned a great many traditional business practices. Instead, is uses minimal hierarchies, ad hoc structures, self-control and the discipline of its own community marketplace of jobs and responsibilities to achieve high-quality, on-time performance.

Situated Cognition and the Culture of Learning

The free-flowing form of Semco represents a new model for corporate behavior that benefits employees and still meets the competitive demands of the marketplace. If the field of organizational development is to continue and prosper, it must adopt the same type of innovative approaches, in its own fashion, that Ricardo Semler inspired for solving the problems facing his company.

The concept of apprenticeship and peripheral learning is important to the future of pedagogy and the continuation of OD as a useful tool for organizations to incorporate internal growth and development, using consultants to teach participatory action research. In this model, once this is accomplished, employees at all levels can continue to use these practices as routine methodology. The breach between learning and use, which is captured by the folk categories "know what" and "know how" may well be a product of the structure and practices of our education system. Methods of didactic education assume a separation between knowing and doing, treating knowledge as an integral, self-sufficient substance theoretically independent of the situations in which it is learned and used. The primary concern of schools often seems to be the transfer of this substance, which comprises abstract, decontextualized formal concepts. The activity and context in which learning takes place are thus regarded as merely ancillary to learning; pedagogically useful, of course, but fundamentally distinct and even neutral with respect to what is learned.

Recent investigations of learning, however, challenge this separating of what is learned from how it is learned and used. The activity in which knowledge is developed and deployed, it is not argued, is not separable from or ancillary to learning and cognition. Nor is it neutral. Rather, it is an integral part of what is learned. Situations might be said to co-produce knowledge through activity. Learning and cognition, it is now possible to argue, are fundamentally situated.

Experienced readers implicitly understand that words are situated. They therefore ask for the rest of the sentence or the context before committing themselves to an interpretation of a word, and then go to dictionaries with situated examples of usage in mind. In tasks like theirs, dictionary definitions are assumed to be self-sufficient. Learning from dictionaries, like any method that tries to teach abstract concepts independently of authentic situations, overlooks the way understanding is developed through continued, situated use. This development, which involves complex social negotiations, does not crystallize into a categorical definition. Because it is dependent on situations and negotiations, the meaning of a word cannot, in principle, be captured by a definition, even when the definition is supported by a couple of exemplary sentences. A concept, for example, will continually evolve with each new occasion of use, because new situations, negotiations, and activities inevitably recast it in a new, more densely textured form. Therefore, a concept, like the meaning of a word, is always under construction. This would also appear to be true of apparently well-defined, abstract technical concepts. Even these are not wholly definable and defy categorical description; part of their meaning is always inherited from the context of use.

To explore the idea that concepts are both situated and progressively developed through activity, use should abandon any notion that they are abstract, self-contained entities. Instead, it may be more useful to consider conceptual knowledge as, in some ways, similar to a set of tools. Tools share several significant features with knowledge. They can only be fully understood through use, and using them entails both changing the user's view of the world and adopting the belief system of the culture in which they are used.

First, if knowledge is thought of as tools, we can illustrate Whitehead's (Whitehead, 1979) distinction between the mere acquisition of inert concepts and the development of useful, robust knowledge. It is quite possible to acquire a tool but to be unable to use it. People who use tools actively rather than just acquire them build an increasingly rich implicit understanding of the world in which they use the tools and of the tools themselves. The understanding, both of the world and of the tool, continually changes because of their interaction. Learning and acting are interestingly indistinct, learning being a continuous, life-long process resulting from acting in situations.

Learning how to use a tool involves far more than can be accounted for in any set of explicit rules. The occasions and conditions for use arise directly out of the context of activities of each community that uses the tool, framed by the way members of that community see the world. The community and its viewpoint, as much as the tool itself, determine how a tool is used. Therefore, carpenters and cabinetmakers use chisels differently. Because tools and the way they are used reflect the accumulated insights of communities, it is not possible to use a tool appropriately without understanding the community or culture in which it is used.

Conceptual tools similarly reflect the cumulative wisdom of the culture in which they are used and the insights and experience of individuals. Their meaning is not invariant but is an outcome of negotiation within the community. Suitable use is not simply a function of the abstract concept alone. It is a function of the culture and the activities in which the concept has been developed. Just as carpenters and cabinetmakers use chisels differently, so physicists and engineers use mathematical formulae differently. Activity, concept and culture are interdependent. No one can be totally understood without the other two. Learning must involve all three. Teaching methods often try to impart abstracted concepts as fixed, well-defined, independent entities that can be explored in prototypical examples and textbook exercises, but such exemplification can never provide the important insights into the culture or the authentic activities of members of the culture that learners need (Geertz, 2000).

To talk about academic disciplines, professions or even manual trades as communities or cultures will perhaps seem strange. Yet communities of practitioners are connected by more than their apparent tasks. They are bound by intricate, socially constructed webs of belief, which are essential to understanding what they do. The activities of many communities are impenetrable, unless they are viewed from within the culture. The culture and the use of a tool act together to determine the way practitioners see the world, and the way the world appears to them determines the culture's understanding of the world and of the tools. Students are too often asked to use the tools of a discipline without understanding its culture. To learn to use tools as practitioners use them, a student, like an apprentice, must enter that community and its culture. Thus, in a significant way, learning is a process of enculturation.

Enculturation may, at first, appear to have little to do with learning. But it is, in fact, what people do in learning to speak, read and write, and in becoming school children, office workers, researchers and so on. Given the chance to observe and practice, in situ, the behavior of members of a culture, people pick up relevant argot, imitate behavior and gradually act in accordance with its norms. These cultural practices are often esoteric and extremely complex. Nonetheless, given the opportunity to observe and practice them, people adopt them with great success. The ease with which people do this, as opposed to the intricacy of describing what it entails, belies the immense importance of the process and obscures the fact that what they pick up is a product of the ambient culture, rather than of explicit teaching.

Learners need much more than abstract concepts and self-contained examples. They need to be exposed to the use of a domain's conceptual tools in authentic activity, to teachers acting as practitioners and using these tools in wrestling with problems of the world. Such activity can demonstrate the way a mathematician or historian perceives the world and approaches emergent projects. The process may appear informal, but it is nonetheless full-blooded, authentic activity that can be deeply informative, in a way that textbook examples and declarative explanations are not.

The activities of a domain are framed by its culture. Their meaning and purpose are socially constructed through negotiations among present and past members. Activities thus cohere in a way that is, in theory if not always in practice, accessible to members who move within the social framework. These coherent, meaningful and purposeful activities are authentic, according to the definition of the term used here. Authentic activities are simply defined as the ordinary practices of the culture. Authentic activity cannot only be pursued by experts. Apprentice tailors (Lave, 1988), for instance, begin by ironing finished garments, which tacitly teaches them a lot about cutting and seeing. Ironing is simple, valuable and absolutely authentic.

Learning activity often tends to be hybrid, implicitly framed by one culture, but explicitly attributed to another. Many of the activities students undertake are simply not the activities of practitioners and would not make sense or be endorsed by the cultures to which they are attributed. What students do tends to be ersatz activity. Consequently, contrary to the aim of schooling, success within the culture of schooling often has little bearing on performance elsewhere.

Representations arising out of activity cannot easily be replaced by descriptions. Plans are distinct from situated actions. Most will agree that a description of a complex machine in a manual is distinctly different from how the machine actually works. In an intriguing way, one needs the machine to understand the manual, as much as the manual is required to understand the machine. The perceptions resulting from actions are a central feature in both learning and activity. Different activities produce different indexicalized representations, not equivalent, universal ones. In addition, the activity that led to these representations plays a central role in learning.

Representations are indexicalized. They are dependent on context. In face-to-face conversations, people can interpret indexical expressions, because they have access to the indexed features of the situation, though people rarely notice the significance of the surroundings to their understanding. The importance of the surroundings becomes apparent, however, when they try to hold similar conversations at a distance. Authors of a collaborative work will recognize the problem if they have ever discussed the paper over the phone. "What you say here" is not a very useful remark. This setting needs a formal descriptive system description, such as "page 3, second full paragraph," and can often lead to conversations at cross-purposes to themselves. The contents of a shared environment make a central contribution to conversation.

When the immediacy of indexical terms is replaced by descriptions, the nature of discourse changes and understanding can become problematic. Indexical terms are virtually transparent. They draw little or no attention to themselves. They do not necessarily add to understanding of a proposition in which they occur, but simply point to the subject under discussion and provide essential structure for the discourse. Descriptions, by comparison, are at best translucent and at worst opaque. The audience has first to focus on the descriptions, try to interpret them and find what they might refer to. Only then can the proposition in which they are embedded be understood (Perry. 1979).

As Edwin Hutchins (Hutchins, 1996) and others point out, the structure of cognition is widely distributed across the environment, both social and physical. The environment, therefore, contributes importantly to indexical representations people form in activity. These representations, in turn, contribute to future activity. Indexical representations developed through engagement in a task may greatly increase the efficiency with which subsequent tasks can be done, if that part of the environment that structures the representations remains invariant. This is evident in the ability to perform tasks that cannot be described or remembered in the absence of the situation. Recurring features of the environment may thus afford recurrent sequences of actions. Routines may well be a product of this sort of indexicalization. Consequently, authentic activity becomes a central component of learning. One of the key points of the concept of indexicality is that it indicates that knowledge, and not just learning, is situated. A corollary of this is that learning methods embedded in authentic situations are not merely useful, they are essential.

Cognitive apprenticeship methods endeavor to enculturate students into authentic practices through activity and social interaction in a very similar way to that evident in craft apprenticeship. The development of concepts out of and through continuing authentic activity is the approach of cognitive apprenticeship, a term closely allied to the image of knowledge as a tool. Cognitive apprenticeship supports learning in a domain by enabling learners to acquire, develop and use cognitive tools in authentic domain activity. Similarly, craft apprenticeship enables apprentices to acquire and develop the tools and skills of their craft through authentic work at and membership in their trade. Through this process, apprentices enter the culture of practice. Therefore, the term apprenticeship helps to emphasize the centrality of activity, in learning and knowledge, and highlights the inherently context-dependent, situated and enculturating nature of learning. Apprenticeship also suggests the paradigm of situated modeling, coaching and fading, whereby teachers or coaches promote learning, first by making explicit their tacit knowledge or by modeling their strategies for students in authentic activity. Then, teachers and colleagues support students' attempts at performing the task. Finally, they empower the students to continue independently (Collins, Brown & Newman, 1989).

Apprenticeship techniques actually reach well beyond the physical skills usually associated with apprenticeship to the kinds of cognitive skills associated with conventional schooling. This extension is not as incompatible with traditional apprenticeship as it may at first seem. The physical skills associated with apprenticeship embody important cognitive skills. Many professions with difficult cognitive content, such as law, medicine, architecture and business have traditionally been learned through apprenticeship.

Eventually, all apprentices must recognize and resolve the ill-defined problems that issue out of authentic activity. At this stage, students no longer behave as students but as practitioners, and develop their conceptual understanding through social interaction and collaboration in the culture of the field, rather than that of the typical teaching environment. Learning environment war stories begin to be added to the collective wisdom of the community. This role of narratives and conversations is perhaps more complex than might first appear. An intriguing role in learning is provided by legitimate peripheral participation, where people who are not taking part directly in a particular activity learn a great deal from their legitimate position on the periphery. Important discourse in learning is not always direct and declarative. This peripheral participation is particularly important for people entering the culture. They need to observe how practitioners at various levels behave and talk to get a sense of how expertise is manifest in conversation and other activities.

It is only within communities of action that social contact and conversation can take place. Salient features of group learning include:

• Collective problem solving: Groups are not just a convenient way to accumulate the individual knowledge of their members. They give rise, synergistically, to insights and solutions that would not come about without them (Schoenfeld, 1983).

• Providing joint work skills: Those who are taught individually, rather than collaboratively, can fail to develop skills needed for collaborative work. In the collaborative conditions of the workplace, knowing how to learn and work collaboratively is becoming increasingly important. If people are going to learn and work in combination with others, they must be given the situated opportunity to develop such skills.

• Displaying multiple roles: Successful implementation of most individual tasks requires students to understand the many different roles needed for carrying out any cognitive task. Getting one person to play all the roles required by authentic activity and to reflect productively upon his or her performance is one of the monumental tasks of education. The group, however, also permits different roles to be displayed, and stimulates reflective narratives and discussions about the suitability of those roles.

• Confronting ineffective strategies and misconceptions: Teachers rarely have the chance to hear enough of what students think to recognize that the information offered back by students is only a superficial retelling for school purposes. Groups, however, can be efficient in drawing out, confronting and discussing both misunderstandings and unproductive strategies.

The increasing role of the teacher or trainer as a master to apprentices and the use of authentic domain activity as a major tool of teaching will perhaps, at long last, allow us to share Alexander Pope's optimistic belief to "Let such teach others who themselves excel."

In conclusion, whether such hopefulness exists in the realms of the future remains an open question. The original model for participatory democracy, that of ancient Athens, has been corrupted by the influence of monied corporate interests, who have converted the vast resources of the United States and the treasure of the democratic political system of this country to their own ends.

Despite the concerns that one of our greatest presidents, Thomas Jefferson, had about the domination of commercial interests early in our history, we have seen little to reassure us that military and marketing dominance guarantees our safety and security in the global environment. As the world's only superpower, the United States has used its military dominance too often to control the liberties and the belief systems of others. The current American agenda seems to advocate a One World system where cultures that do not accept our dominance and belief systems will either be obliterated or marginalized.

The best hope for a future that is free of the enormous inequalities in wealth and income that currently characterize our capitalist economic system, with a consequent reframing of national security as Empire, may reside in some of the successful alternative communities and human relations techniques that exist to encourage the personal growth and qualitative development of their members. The technological innovations of the United States are impressive, but the attendant expansion of human consciousness and reflexivity (or what is currently identified as emotional intelligence) is often inadequate to effectively utilize the scientific powers it has accumulated.

For dedicated citizens and social beings examining the reasons and scope of these successes and failures, this would be a fertile learning enterprise. A more transparent government would mean a government where real contributions can be made by the populace. For Americans in the role of institutional analysts, both trained or not, it would be a homecoming to be actively included in the important decision-making governing our lives. For organizational professionals it would revive the humanistic values embedded in our beginnings, an unfolding continuum of democratic practice applicable to all areas of life that reclaims the vanishing resources of authenticity, community and global sustainability.

CHAPTER XII: REFERENCES

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