A vision of a corporate-centered society

“Economic power, in terms of control over physical assets, is apparently responding to a centripetal force, tending more and more to concentrate in the hands of a few corporate managements. At the same time, beneficial ownership is centrifugal, tending to divide and subdivide, to split into ever smaller units and to pass freely from hand to hand.”

A vision of a corporate-centered society

“The factory system, the basis of the industrial revolution, brought an increasingly large number of workers directly under a single management. Then, the modern corporation, equally revolutionary in its effect, placed the wealth of innumerable individuals under the same central control.”

“The economic power in the hands of the few persons who control a giant corporation is a tremendous force which can harm or benefit a multitude of individuals, affect whole districts, shift the currents of trade, bring ruin to one community and prosperity to another. The organization which they control have passed far beyond the realm of private enterprise—they have become more nearly social institutions.”
The corporation as a defining social institution

Synecdoche
“The big enterprise is the true symbol of our social order…In the industrial enterprise the structure which actually underlies all our society can be seen…” (Drucker, 1949)

Surrogate
“Organizations are the key to society because large organizations have absorbed society. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society” (Perrow, 1991)

Some premises of the corporate-centered society

1. The typical corporation makes tangible products
2. Corporate ownership is broadly dispersed
3. Corporations aim to grow bigger in assets controlled and number of employees
4. Corporations live a long time

A Copernican shift in American society

Manufacturing employment is increasingly rare in the US

Since January 2001, the US has shed 5.5 million jobs in manufacturing—one in three

As of March 2009, more Americans were unemployed than were employed in manufacturing
The largest US employers have shifted from manufacturing to retail and other services

10 Largest US Corporate Employers, 1960-2010

<table>
<thead>
<tr>
<th>1960</th>
<th>1980</th>
<th>2010</th>
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<tbody>
<tr>
<td>GM</td>
<td>AT&amp;T</td>
<td>WAL-MART</td>
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<tr>
<td>AT&amp;T</td>
<td>GM</td>
<td>TARGET</td>
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<td>FORD</td>
<td>FORD</td>
<td>UPS</td>
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<td>GE</td>
<td>GE</td>
<td>KROGER</td>
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<tr>
<td>US STEEL</td>
<td>SEARS</td>
<td>SEARS HLDGS</td>
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<td>SEARS</td>
<td>IBM</td>
<td>“AT&amp;T”</td>
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<td>A&amp;P</td>
<td>ITT</td>
<td>HOME DEPOT</td>
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<tr>
<td>EXXON</td>
<td>KMART</td>
<td>WALGREEN</td>
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<tr>
<td>BETH. STEEL</td>
<td>MOBIL</td>
<td>VERIZON</td>
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<tr>
<td>ITT</td>
<td>GTE</td>
<td>SUPERVALU</td>
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Manufacturing Oil Services

There was a time when the owners of corporations were dispersed “widows and orphans”

Retail jobs are not like manufacturing jobs

- Median hourly wage in “Motor Vehicle Manufacturing” for “Production Occupations” (May 2008) : $27.14
- Median tenure with current employer in “Transportation Equipment Manufacturing” (Jan. 2004 CPS): 8 years
- Median hourly wage in “General Merchandise Stores” for “Sales and Related Occupations” (May 2008) : $9.33
- Median tenure with current employer in “Retail Trade”: 3 years
- Mean weekly hours worked at Wal-Mart: 34
- Estimated annual turnover at Wal-Mart: 40%
Now the widows and orphans buy mutual funds…

Increased ownership by institutions has corresponded to increased devotion to “shareholder value”…

“We exist to create value for our share owners on a long-term basis by building a business that enhances The Coca-Cola Company's trademarks.”

“Sara Lee Corporation's mission is to build leadership brands in consumer packaged goods markets around the world. Our primary purpose is to create long-term stockholder value.”

…and Fidelity is the largest shareholder of one in ten US corporations

Number of US-listed firms in which Fidelity is largest shareholder

<table>
<thead>
<tr>
<th>Year</th>
<th>1980</th>
<th>1995</th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td># of listed firms in US</td>
<td>3833</td>
<td>5187</td>
<td>5828</td>
<td>4423</td>
</tr>
</tbody>
</table>

…and an orientation to share price has induced massive restructuring favoring the “Nike model”

“Wall Street can wipe you out. They are the rule-setters. They do have their fads, but to a large extent there is an evolution in how they judge companies, and they have decided to give premiums to companies that harbor the most profits for the least assets.”

John Bryan, CEO, explaining Sara Lee's “de-verticalization” program
The US economy is at an advanced stage of Nike-fication

Corporation ≠ organization: no fixed nationality

Accenture to Move Base To Ireland From Bermuda

Accenture Ltd. said its board has voted to change the consulting company's place of incorporation to Ireland from Bermuda. Accenture incorporated in Bermuda in 2001 after the company did an initial public offering.

Several large companies have recently announced plans to reincorporate from Bermuda, helping them avoid what are expected to be significant changes in how the U.S. taxes multinational corporations. Earlier this month, drug maker Warner Chilcott Ltd. said its board approved a plan to relocate to Ireland from Bermuda.

Accenture shareholders will be asked to vote on the proposed move at meetings in the next three to four months.

"We believe that incorporating in Ireland will provide Accenture with economic benefits and help ensure our continued global competitiveness," said Chairman and Chief Executive William D. Green, adding that the company will benefit from Ireland's well-developed corporate, legal and regulatory environment.

The technology outsourcing and management consulting company doesn't expect any material change in its operations, financial results or tax treatment as a result of the change.

The company will continue to be registered with the Securities and Exchange Commission and its shares will continue to trade on the New York Stock Exchange.

Corporation ≠ organization: no fixed boundaries

Vizio now has the largest market share of LCD televisions in the US (22%)—with 180 employees

Poisonous pet chow containing melamine from China was made by an Ontario-based manufacturer but sold under dozens of different US brand names.

The global OEM model is not just for Nike anymore.

Corporation ≠ organization: no fixed identity

Poisonous pet chow containing melamine from China was made by an Ontario-based manufacturer but sold under dozens of different US brand names.

The global OEM model is not just for Nike anymore.
Corporation ≠ organization: no fixed industry

Corporation ≠ organization: no employees

What is a “bank”?

"Hermit crab organizations" maintain the brand but lose the people (e.g., Circuit City’s 43,000 employees)

Shareholder capitalism and corporate turnover: The Dow Jones 30 Industrials in 1987

Corporations are legal fictions configured to make profits, not to care.
Some premises of the corporate-centered society

1. The typical corporation makes tangible products
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4. Corporations live a long time

“Financial thinking” is ubiquitous

Stock market app
- What’s the market doing?
- Barolo or Boone’s Farm with dinner?

FICO app
- Can I skip yet another month’s credit card payment?

Zillow app
- What’s my house worth right now?
- Still time to refi and move to Canada?

Facebook “Social Capital Asset Pricing Model” (SCAPM) app
- Whom should I be shorting at this conference?

Can corporations be used as tools of public policy, e.g., to create jobs?
Do corporations have a nationality?

"The interests of a transnational company are not the same as those of the country from which it originates or of the workers it has historically employed. It has become, to coin a phrase, a 'rootless cosmopolitan.'"

Martin Wolf, *Why Globalization Works*

Corporations>>states?

"...the modern corporation may be regarded not simply as one form of social organization but potentially (if not yet actually) as the dominant institution of the modern world... The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state--economic power versus political power, each strong in its own field... The future may see the economic organism, now typified by the corporation, not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organization"
If you can’t beat ‘em, join ‘em: Governments as vendors in a marketplace of laws

Corporations are not the only way to organize economic activity

- Producer co-operatives
- Consumer co-operatives
- Mutuals
The challenge for social theory

• How can we build on legal and technological changes to create more “rooted” non-corporate organizations?
  – Legal changes
    ▪ L3C enabling laws
    ▪ B corporation laws
  – Technological changes
    ▪ ICTs and new methods of coordinated action

• The goal: the iPhone “workplace democracy app” that turns GM into a kibbutz