

CORPORATIONS AND THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

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ABSTRACT

The main unit for organizing economic activity in the world today is the corporation. No other form of organization has come close to it in its effectiveness in generating wealth. This has, however, come with considerable costs, the most pressing being environmental degradation and climate change. In 2015, the United Nations agreed upon 17 sustainable development goals (SDGs). Given the legal structure of corporations and their past history, the problems they may pose to achieving some of those SDGs need to be examined. The most problematic areas are climate action, justice and strong institutions, reducing inequalities, and decent work. It is also worth noting that the SDG of economic growth may be oxymoronic and incompatible with some of the other goals. A key problem posed by the corporation as a legal entity is that its directors are legally required to maximize shareholder profits. That goal requires holding down costs, and the most effective way to do so is to externalize them. When the costs of corporate actions to the rest of society are fully calculated, their economic benefits begin to look less appealing than their balance sheets would indicate. The benefit corporation offers an interesting alternative form of business organization. There are also many sensible proposals for limiting the harm of regular corporations; however, the prospects of altering public policy on the basis of such proposals appear politically unattainable.

INTRODUCTION

The world has witnessed massive growth over the last five or six centuries. Wealth has increased exponentially, infrastructure has developed monumentally, and there have been spectacular advances in scientific knowledge and technology. Relentless technological change has interacted with social organization, world views and values in a complex dance of cause and effect to produce a constantly evolving world civilization. However, as resource extraction and population growth accelerate and pollution proliferates, questions have grown about the sustainability of the current model of civilization. These questions grow ever more urgent with each passing day.

An early sign that such concerns had entered the mainstream was the United Nations' 1987 endorsement of the concept of sustainable development. It defined it as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 1987). A further milestone was the UN's agreement in 2015 upon 17 Sustainable Development Goals (SDGs), setting 2030 as the target date to achieve them. Although progress in reducing extreme poverty and infant mortality has been encouraging, the compatibility of endless economic growth with environmental sustainability is increasingly doubtful.

The primary institution of economic activity in the modern world is the corporation. Questions must be asked about its compatibility with environmental sustainability and other

SDGs such as strong institutions, decent work and reducing social inequality. Many conflicts exist between these SDGs and the current practices of various corporations. This paper will explore some of these conflicts in greater detail in an attempt to answer the following queries:

1. Which sustainable development goals are impeded by corporations?
2. In what ways do corporations obstruct those sustainable development goals
3. To what extent does the problematic behaviour of some corporations arise from the inherent nature of the corporation as a legal entity?
4. Can the negative aspects of corporations be curbed while maintaining their economic efficacy?

This research is strictly qualitative. The attempt to answer these questions in this paper is essentially a literature review of selected writings on the nature of the corporation, globalization, the financial system and history, mostly that of the last seventy years. Extensive reference is made to news articles. The focus is on American corporations as they remain the dominant corporate entities in global trade, and what happens in the United States has a disproportionate effect on the rest of the world.

THE RISE OF THE CORPORATION

Many economic, political and social features of the modern world originate in technological changes that accrued more than half a millennium ago. Advances in shipbuilding techniques and navigational instruments (many of them borrowed from the Muslims) enabled Europeans to embark upon the Age of Exploration in the 15th century. The Portuguese pioneered systems of agricultural mass production in the tropical lands they conquered, the most important crop being sugar. The energy basis of those plantations (in addition to the sun) was human labour in the form of slaves. It was also slaves who powered the New World silver mines that vastly increased the world's money supply. So many Indians died in the process that they were replaced with more hardy Africans, an estimated ten million of them. Millions more Africans died in the process of enslaving, transporting, and "seasoning" them.

European commercial voyages frequently yielded windfall profits, but they were too expensive and too risky to be funded by traditional partnerships. They required new forms of economic organization such as the joint-stock company and commercial insurance. The British East India Company's conquest of India provided a foreshadowing of the emerging power of the joint-stock company. A key factor in the success of this new economic institution was an extensive package of legal privileges provided to it by governments. For example, for centuries the British East India Company was granted monopoly privileges by the British government wherever it operated.

Of greater long-term significance was Western legal systems' recognition of corporations as entities having legal personalities independent of their shareholders. A relatively early (1793) scholar defined the corporation as follows:

a collection of many individuals united into one body, under a special denomination, having perpetual succession under an artificial form, and vested, by the policy of law, with the capacity of acting, in several respects, as an individual, particularly of taking and granting property, of contracting obligations, and of suing and being sued, of enjoying privileges and immunities in common. (Kyd, in Bakan, 2004, p. 15).

The additional concept of limited liability, which entered British corporate law in 1856, gave shareholders immunity from any liabilities of the corporation beyond the capital that each had invested (Bakan, 2004). This provided a powerful incentive for the investments that would power capitalism and transform the world.

The 14th Amendment to the US Constitution was a piece of legislation that was repurposed from its original objective to provide a bedrock of legal precedent to affirm corporate rights in America. It was originally drafted to prevent the states of the defeated Confederacy from denying civil rights to their former slaves. It states:

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any **person** of life, liberty, or property, without due process of law; nor deny to any **person** within its jurisdiction the equal protection of the laws (https://usconstitution.net/xconst_Am14.html).

Very few court cases involving African-Americans were decided on the basis of the 14th Amendment. Instead, corporate lawyers repeatedly used it to argue for the legal rights of corporations, based on their definition as legal persons. The US Supreme Court found those arguments persuasive, consistently issuing rulings that consolidated their privileged status.

The courts also determined profit maximization to be the most important legal duty of a corporation's officers. In the famous case of Dodge vs. Ford, the Michigan Supreme Court ruled that the president of Ford Motors did not have the authority to reduce car prices or raise worker wages at the expense of shareholder dividends. The Court stated:

A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself (<https://h2o.law.harvard.edu/cases/3965>).

It has been argued that Dodge vs. Ford is, practically speaking, almost irrelevant because corporate executives have been given very wide powers to interpret the means of achieving profitability. While this may be true, it can be counter-argued that the central importance of maximizing profit is so thoroughly ingrained in the psyches of corporate officers that it overrides all other considerations. Famed economist Milton Friedman (1970) argued:

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, which is to say, engages in open and free competition without deception or fraud. (p. 6)

This oft-repeated quote mentions deception and fraud but not externalities. An externality is a cost or benefit that affects a party external to the market transaction (Brue & McConnell, 2007). Externalities are critical in calculating the full economic costs of profit-seeking activities to societies as a whole. The Yangtse River in China flooded in 1998, killing more than 5000 people. According to Sukhdev (2011), a major factor in the severity of the flooding was logging, which had cleared the mountain slopes of the watershed. With no forests left to catch and absorb the rains, water rushed down the bare slopes to the flood plain, sweeping away crops and homes. The price of lumber in Chinese markets had been based on logging companies' direct labor and capital costs. From a societal perspective, that meant it was grossly underpriced. Factoring in the externalities revealed that the market price only reflected one-third of the total cost of logging to Chinese society (Sukhdev, 2011). The logic imbedded in the DNA of a corporation is that it "tends to be more profitable to the extent it can make other people pay the bills for its impact on society" (Monks, in Bakan, 2004).

SUSTAINABLE DEVELOPMENT GOAL NO. 13: CLIMATE CHANGE

The ultimate externality is probably global warming. Over the last thirty years a virtual consensus has developed among climate scientists that the Earth is getting warmer. The mean temperature has increased by around one degree centigrade during the last century. The number and severity of hurricanes has been increasing, causing flooding and property damage, mostly in coastal areas, which are also affected by rising sea levels. Droughts have increased in other areas, and deserts have expanded. Glaciers and the polar ice caps are melting. Rising ocean temperature is killing off coral reefs.

The overwhelming majority of climate scientists agree that human economic activity is the main cause of these changes and that the leading contributor is the burning of fossil fuels. Virtually all humans contribute to some degree by their usage patterns. However, a recent study (Griffin, 2017) concluded that just 25 companies have been the source of more than 50% of the world's greenhouse gas emissions since 1988. In 2014 the profits of the fossil fuel industry in North America were USD257 billion (priceofoil.org, 2015). The US government provides roughly USD20 billion in direct subsidies to the fossil fuel industry, but there is a much larger hidden societal subsidy. The Social Cost of Carbon (SCC) is a metric used by the US government to calculate the economic costs of carbon dioxide emissions to the American economy. The SCC calculation for 2015 was USD200 billion (Jina, 2017). This number does not measure economic impact outside US borders although global warming impacts people everywhere. All of this means that the market cost of fossil fuels is a grossly inadequate measure of their total cost to society. If the market cost truly reflected all the hidden costs, fossil fuels would cost much more than they currently do. If they were priced in light of these considerations, the industry would not be nearly as profitable as it seems to be under the current accounting system.

Another aspect of the role of corporations in climate change is the way many of them have systematically distorted the societal response to it. Documents uncovered in 2015 showed that Exxon became aware in the 1970s that carbon dioxide released from the burning of fossil fuels was contributing to climate change. In fact, it conducted some of the earliest cutting edge studies of the phenomenon, but only for internal consumption. Moreover, its senior scientist informed Exxon's management back then that there was "a time window of five to 10 years before the need for hard decisions regarding changes in energy strategies might become critical" (Hall, 2015). However, Exxon, along with other major players in the fossil fuel industry, began publicly raising doubts about the scientific studies that threatened their business model. They created an advocacy group that paid researchers to produce counter-studies challenging the mainstream scientific view that climate change is linked to greenhouse gas emissions. By 2002, the industry front group had lost credibility to such an extent that its creators disbanded it (Hall, 2015). It was, however, effective in delaying any change in public policy for decades.

Trade associations enable many corporations to take environmentally conscious public positions while pursuing another agenda less publicly. An analysis of the top 200 companies on Forbes' list of publicly-traded corporations from 60 countries revealed that 30 percent of them have lobbied directly against climate policy since the signing of the Paris Agreement in 2015. However, 90 percent of them belong to trade associations that have actively opposed it. Edward Collins, project manager at InfluenceMap, which conducted the study, explained, "A lot of the worst lobbying activities are being increasingly outsourced to trade groups as companies are more wary to...directly lobby government and put their names to it" (Farand, 2018, para 6). Another expert observed, "[T]rade associations are a convenient front for companies which can pursue their own branding strategies while the trading

associations do the dirty work” (Farand, 2018, para 33). It cannot be denied that some corporations like Ikea, Apple and Unilever have demonstrated responsibility in adjusting their practices to address environmental issues. They are, however, a minority, and corporations are arguably the most powerful interest group impeding progress on UN Sustainable Development Goal No. 13, Climate Action.

SUSTAINABLE DEVELOPMENT GOALS NO. 1 AND NO. 8: NO POVERTY AND DECENT WORK.

It can be argued that globalization, which has been driven by corporations investing outside their countries of origin, has lifted a significant portion of the world’s population out of poverty. The trend of the last thirty years has been to move manufacturing out of developed countries to developing countries where labor is cheap. When two companies produce goods of comparable quality, the one that can make it for less will probably increase its profits and its market share at the expense of the other. Labor is a major component of a company’s costs. Once some Western companies began moving their manufacturing operations abroad, their competitors had to do the same or risk extinction.

Another way corporations began to shed worker expenses in the 1990s was to outsource peripheral functions like payroll processing, information management and facility maintenance. The companies that filled this new niche frequently paid their workers less than in-house employees had been paid for the same functions. They also provided fewer or no benefits. Improvements in communications infrastructure allowed services to be outsourced overseas just as manufacturing had been earlier, the most famous example being call centers in places like India.

Another innovation in human resource management is to classify workers as independent contractors. As such, the entity that is effectively the employer does not have to pay any benefits to the workers. It can also avoid paying any social security taxes for them. The “independent contractor” will end up paying almost twice as much tax as a result. This is part of the “gig economy” business model.

The impact of these transformations was summarized in the so-called Elephant Curve of World Bank economist Branko Milanovic, which traced changes in the income of various segments of the world population from 1988 to 2008.

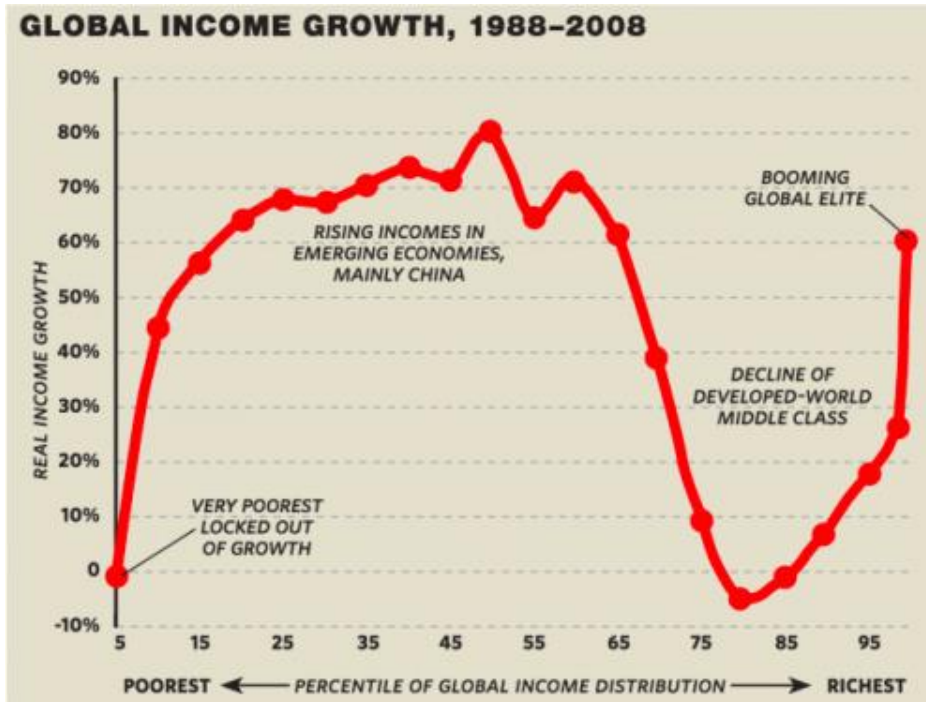


Figure 1

Source: Corak in *The American Prospect*, 2016

The poorest of the world's poor remained poor. It could be argued that these are the populations of regions comparatively unaffected by corporate activity. However, the fortunes of a significant portion of poor people improved significantly, largely because they were integrated into the global labor market. A labor market of 800 million people in developed countries has been expanded to now include three billion people from underdeveloped countries (Alpert, 2016). That has exerted downward pressure on wages in developed countries. This was masked in the 1990s and early 2000s by the vast expansion of consumer credit in those countries, especially America, a policy that Rajan (2010) summarized as "let them eat credit".

This policy temporarily solved a structural problem in the globalized economy. Economists are fond of discussing the "virtuous cycle" whereby firms hire workers to produce goods that workers buy with wages that firms pay them. These purchases provide funds to firms, which use them to produce more goods, and the cycle continues with input, hopefully, increasing with each iteration.

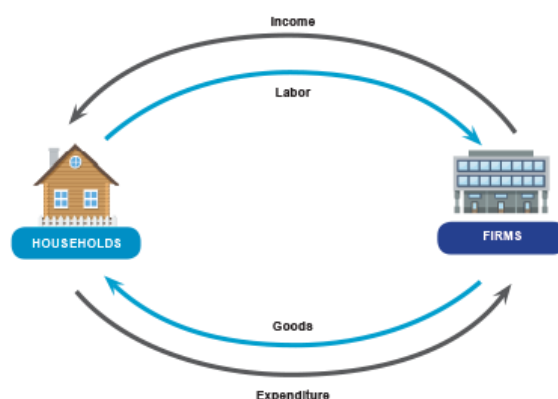


Figure 2: Image courtesy of Noor Aznir Nizam Noordin

Free trade agreements like NAFTA facilitated the movement of manufacturing out of places like Detroit to places like Monterrey, Mexico. Jobs in America that paid more than USD 20 per hour, plus health insurance and other benefits, were replaced by jobs that paid USD 3 per hour with no benefits. The Mexicans who worked in the new factories didn't make enough money to buy the cars they made, so the output of those factories continued to be sold in the US. But the ability of US workers to pay was also being eroded by the loss of high-paying jobs and the creation of new jobs that paid much less. This was disguised by the importation of super-cheap goods from places like China and by American consumers being encouraged to continue consuming on borrowed money.

For a while it was predicted that the internet would become the cornerstone of a new economy that would employ workers displaced by the loss of manufacturing jobs. The internet has become the base of a new economy, but the big new companies that dominate it employ very few workers compared to the big companies of the old economy. The last remaining sector of the American economy that provided relatively high-paying jobs to workers without a college education was the construction industry, which was buoyed by the housing boom of the 2000s (Alpert, 2016). However, that boom was artificially fuelled by ever-expanding consumer credit. When financiers ran out of borrowers who could pay back their loans, they moved on to the only remaining borrowers: those who would never be able to repay. Securitization made it possible to transfer the risk of the new loans away from the original lender. When the bubble stopped expanding and defaults began to mount, the bubble popped, leading to the Global Financial Crisis (Roubini & Mihm, 2010). We are still dealing with its crippling effects.

Another feature of globalization has been the development of supply chains which allow the corporation that sells a product to distance itself from the companies that produce the product it sells. A company like Wal-Mart offers goods at ultra-low prices that competitors find difficult to match. One way it does that is to pay its own workers such low wages that they qualify for food stamps. Another method is to pit the suppliers who make its goods against one another in bidding wars to extract the lowest possible prices from them. This incentivizes manufacturers in countries without worker protections to impose sweatshop conditions on their employees. A series of fires in textile factories in Bangladesh repeatedly killed workers, mostly women, over the last decade or two. The worst incident was a shoddily built factory that collapsed in 2013, killing more than a thousand workers. All these factories

were making garments for Western corporations like Gap, Zara and Wal-Mart. A frequent corporate response to early incidents was to deny any business relationship with the factory where an incident occurred. Negative press coverage and public outrage over the repetitive nature of such incidents made that response increasingly untenable. Western companies pledged to monitor their contractors to ensure they maintained safe and tolerable working conditions. However, nimble supply chain management imposes sudden demands with tight deadlines on suppliers. In order to meet its deadlines, the primary contractor—which may comply with working condition requirements to a certain extent—subcontracts jobs to smaller firms flying completely under the safety inspection radar (Chirila, 2018; Chen, 2013). When accidents occur in such firms, the Western corporation can deny any business relationship with the subcontractor. In the case of Wal-Mart, it has consistently resisted calls to contribute financially to the families of the victims of these industrial calamities, arguing that these workers are not its employees. Deniability is thus built into these globalized supply chains (Sethi, 2014).

Technology has now initiated a shift away from offshore production. Factories can again be profitably built in developed countries because they are highly automated and employ so few workers that they can compete with factories in Third World countries. They also enjoy the advantage of low transportation costs, being located near their customers. First Solar, an American maker of solar panels, was almost driven out of business by cheaper solar panels from China. In 2017 it laid off hundreds of workers and closed its only factory in the United States to retool it. It reopened it with a few dozen workers and robots that enable it to produce a better product that costs 30 percent less than the cheapest Chinese equivalent (Martin, 2018). The question arises, however: if robots replace workers, who will buy the products of automated factories? An oft-repeated refrain is that automation will create even more new jobs than the old jobs it destroys. The analogy is made with the Industrial Revolution, which pushed vast numbers of agricultural workers off the land but replaced their old jobs with a vast array of other jobs in manufacturing and eventually services. That may happen, but the current trend is that the new jobs being created pay less than the old ones.

SUSTAINABLE DEVELOPMENT GOAL NO. 10: REDUCING INEQUALITIES

The Gilded Age that preceded World War I culminated a process of increasing social and economic inequality that had been proceeding apace throughout the Industrial Revolution. A brief boom which followed World War I was in fact a bubble that led to the Great Depression of the 1930s. The widespread unemployment of the 1930s played a direct role in the rise of the fascist movements that led to World War II. The political resolve that such a phenomenon should never be repeated led to the post-war emphasis on full employment in fiscal and monetary policy. It was a period marked by unprecedented prosperity and reduced inequality. It was also an interlude that was almost devoid of financial crises. Part of the reason for that was the Bretton Woods monetary system, which lasted for three decades and which imposed extremely tight controls on cross-border capital flows (Pettifor, 2006; Pettifor, 2013).

The period after Bretton Woods was one of completely free-floating currencies with the unimpeded flow of capital across national borders. The CEO of Citibank summed up the philosophy of this era with a slogan that continues to hold true: “Money goes where it is wanted and stays where it is well-treated” (Bass, 1996). The competition for money spurred the massive growth of secrecy jurisdictions, also known as tax havens. The best way to attract money was to ask no questions where it came from and to disclose no information on its ownership to the tax authorities of other jurisdictions. The most adept player of this game was

the City of London, the center of the British banking system but also the ground zero of an archipelago of tax havens composed of British dependencies and former colonies. Money funnelled into these peripheral honeypots and rapidly made its way to the center, as it continues to do to this day.

The nature of the system—both the British and non-British components—makes it impossible to measure the amount of money in it. However, estimates range from 5 trillion to more than double that (Zucman, 2013, Shakson, 2012). There are three notable sources of the funds that flow through secrecy jurisdictions: global elites, corporations and criminals. The elites who rule former European colonies use secrecy jurisdictions to pump money out of their own countries into the Western banking system. The proliferation of secrecy jurisdictions enables lawyers and accountants to create an impenetrable thicket of entities that prevent the tracing of assets to their real owners. An estimated 1.1 trillion dollars illicitly flowed out of developing countries into secrecy jurisdictions in 2008, a figure that dwarfs the 100 billion dollars a year given to those countries as foreign aid (Shakson, 2012).

It is not just Third World elites who benefit from this system. Western elites use it to hide their assets from the tax authorities where they reside. This has shifted the burden of taxation increasingly onto the middle classes, a burden further concentrated by the steady decrease in the share of taxes paid by corporations. Their share of all U.S. income taxes fell from two-fifths in the 1950s to one-fifth today (Shakson, 2012). One factor that has enabled that shift is the transnational nature of modern corporations. About two-thirds of global cross-border trade happens inside corporations. Multinational corporations adjust the prices that the units of the same corporation charge each other in order to minimize the taxes they pay. “[B]y adjusting its internal prices a multinational can shift profits offshore, where they pay little or no tax, and shift the costs onshore, where they are deducted against tax” (Shakson, 2012, p. 22).

Decreased taxes on corporations are also due in part to frenzied competition between jurisdictions that offer them incentives to move their operations there. Ireland is notorious for offering super-low tax rates to multinationals like Google and Apple. The European Commission determined that Ireland’s preferential treatment of Apple amounted to unlawful state aid that violated EU rules. It ordered Apple to pay Ireland €13 billion in back taxes despite the protests of the Irish government. The Irish authorities were afraid the judgment would send a negative signal to corporations, which would abandon Ireland for countries offering them better deals (Bowers, 2016a). These fears are not unrealistic; the OECD reported that eight developed economies lowered their corporate tax rates in 2015 (Bowers, 2016b). Indeed, “money goes where it is wanted and stays where it is well-treated.”

The same kind of competition occurs between states and cities in the same country. Not unsurprisingly, when Amazon posted a bid for proposals from North American cities to host its second headquarters, it stated:

*A stable and business-friendly environment and tax structure will be high-priority considerations for the project....***Incentives** – *Identify incentive programs available for the project at the state/province and local levels. Outline the type of incentive (i.e. land, site preparation, tax credits/exemptions, relocation grants, workforce grants, utility incentives/grants, permitting and fee reductions) and the amount. The initial cost and ongoing cost of doing business are critical decision drivers (Amazon, 2017).*

In their eagerness to attract corporate investments, local governments sometimes agree to such one-sided deals that their economic value is dubious. Wisconsin just gave Foxconn, the Taiwan electronics manufacturer, a huge package of incentives to open a factory in a rural part of the state, based on promises that Foxconn began to back away from as soon as it got what it wanted. The give-away was so immense (five to six times more than other

jurisdictions were offering in cost-per-job incentives) that some economists estimated Wisconsin would never recoup the losses (Tabak, 2018). Wisconsin cut its spending on education to pay for such policies. This is ironic, given that automation is eliminating many old-economy jobs. Since education is necessary to prepare people for new-economy jobs, and since universities are incubators of new economy enterprises, such a policy will cripple the state's ability to adapt to the "creative destruction" of capitalism.

SUSTAINABLE DEVELOPMENT GOAL NO. 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

In 1971 a corporate lawyer named Lewis Powell wrote a confidential memorandum for the United States Chamber of Commerce advising it on a strategy to roll back the social activism of the 1960s. He warned that the threat to business interests came not so much from leftists but from the penetration of critical attitudes toward capitalism into academia, media, churches and politics. He advocated two main strategies to reshape society: educational and political. Education was to be a long-term multi-dimensional project based on patronage of pro-business social scientists to counter anti-corporate voices in academia and the media. He advocated supporting them financially to conduct research, to publish and to do public speaking, particularly on college campuses. He identified the boards of trustees of universities—who were largely composed of business leaders—as natural allies in restoring "balance" to the staffing of social science faculties. He also complained that politicians were no longer listening to corporate voices but, rather, stampeding to "support almost any legislation related to 'consumerism' or to the 'environment'" (Powell, 1971, section 21).

Powell's advice was apparently heeded; shortly thereafter a movement of assorted billionaires began setting up right-wing think tanks. They all spouted the same basic message: government had become too big; the social programs of the New Deal should be dismantled; government's environmental, worker-safety and consumer regulations were impeding business's ability to create wealth. These should be reduced or eliminated. The one area of government spending they all agreed should not be cut was the military; however, its functions should be privatized as much as possible. Corporations had been making money since World War II by equipping the military with weapons. By the time America invaded Iraq and Afghanistan, private companies had vastly expanded their involvement in military logistics, running its mess halls and most of the other non-combat aspects of its operations. Corporations like Fluor supplied support workers from India to military bases in war zones. These workers were recruited through a hierarchy of subcontractors in supply chains originally developed to supply laborers to the economies of the GCC (Black & Kamat, 2014). At the same time, even combat functions of the military began to be outsourced to corporations like Blackwater that supply mercenaries to support invasions.

Another venue for privatization of public functions is prisons. Prisons run by corporations currently hold about 8 percent of America's incarcerated population of more than 2 million prisoners (Pauley, 2106; ACLU, 2018). Proponents argue that private prisons are more "efficient" than public prisons, meaning it costs less per inmate to run a private prison. One way this efficiency is supposedly achieved is through facility design and electronic surveillance (Pauley, 2106). A more prosaic reason, consistent with the spirit of the age, is that the staff is paid lower salaries and benefits (Mason, 2012). It is in the interests of private prisons to increase the prison population, which it has indeed done, by 700% since 1970, the vast majority of them ethnic minorities (ACLU, 2018). The role of lobbying in securing that increase cannot be ignored. The largest prison corporation employs 70 lobbyists

to influence state legislatures (Mason, 2012). A public policy advocacy group with industry ties pushes for stiffer sentencing and harsher immigration laws. The logical conclusion of this trend would be to pay judges to send people to prison. This in fact happened in Pennsylvania. Two judges there were sentenced to prison for receiving kickbacks to fill the beds of a privately run juvenile prison with inmates, some as young as ten years old (Pavlo, 2011).

Although only a minority of prisons are privately run, corporations also benefit from public prisons in two ways. Like the military, public prisons outsource many functions like commissaries, cafeterias, telephone calls and health services to private companies. Prisoners are charged for their use of these facilities, which cost more inside prisons than they do outside. Payment comes from salaries of about a dollar a day—although in some states prisoners work without any remuneration—while federal prisons pay as much as \$1.25 an hour. Prison labor supplies goods to major name brand producers and marketers of electronics, clothing and other consumer goods. This is usually done through the intermediary of subcontractors, a constantly recurring feature of global supply chains. Because of the various expenses, plus sentencing fines, some prisoners leave prisons owing money. If they can't pay—which is common because employers are reluctant to employ ex-convicts—they are returned to prison, maintaining thereby the prisoner population on which corporate prison benefits depend (Hedges, 2014).

Education is another major public sector that corporations are penetrating under the mantle of the charter school movement. Charter schools receive funding from the government for the services they provide but operate under private management. They differ from private schools in that they do not charge tuition since they are supported by tax dollars. The movement has attracted keen interest and support from many hedge fund managers, other billionaires and right-wing think tanks (Strauss, 2014). Ironically, the wealthy supporters of charter schools tend to educate their own children in fully private schools that offer a completely different style of education from that of charter schools (Hedges, 2017). The mantra of the movement is that public schools provide poor services because they are insulated from competition, an idea originally advocated by Milton Friedman (Fisman, 2014). Some charter schools are unabashedly for-profit while others are called non-profit. The designation “non-profit” frequently masks hefty salaries paid to the managers who run the schools (Singer, 2014). Meanwhile, charter school teachers are not unionized. Although their salaries are comparable to public school teachers, they work much longer hours. This contributes to a high turnover rate, which effectively means that their employers will not end up having to pay them pensions. The enthusiasm of some right-wing billionaires for charter schools may be because it represents an instrument for eroding public school teacher unions, which comprise one of the few remaining unionized sectors in the United States (Hedges, 2017). Although the obsession with standardized testing is itself dubious, charter school students have a mixed record in this regard. Michigan's charter schools, championed for the last two decades by Trump's Secretary of Education, Betsy DeVos, have done worse than public schools on national tests for reading and math (Emma, Wermund & Hefling, 2016). Finland presents striking counter-evidence to the whole argument for charter schools. It has none, nor does it use standardized testing, yet its public school students have consistently done among the best in the world on international tests of reading, math and science. It pays teachers well, gives them considerable autonomy, and encourages creativity and play (Hancock, 2011).

Lewis Powell, who wrote the abovementioned memorandum for the U.S. Chamber of Commerce, was appointed to the United States Supreme Court in the same year. He later wrote the majority opinion in a case that established the right of corporations to make contributions to ballot initiative campaigns (Wikipedia). This decision was fundamentally

based on two principles: every citizen's right to free speech, and the judicial precedent that corporations are persons and thus enjoy the protections of the Fourteenth Amendment. Subsequent Supreme Court decisions struck down spending limits on political campaigns and affirmed the rights of corporations and unions to spend unlimited amounts of money to advocate for or against political candidates. Since unions are almost extinct, those decisions effectively authorized the infusion of vast amounts of corporate money in the political process. Nineteenth-century Republican Party boss Mark Hanna quipped, "There are two things that are important in politics. The first is money and I can't remember what the second one is" (Safire, 2008, p. 237). Ferguson, Jorgensen and Chen (2016) studied the correlation between money and electoral success in US congressional elections between 1980 and 2014, and found a direct linear correspondence. They also compared the relative contributions of very rich individuals and corporations to Tea Party candidates in the 2012 elections. Corporations donated much more to these candidates, who represent the most right wing elements of the Republican Party, than did rich individuals. Corporate money is funnelled through non-profit organizations that can receive unlimited amounts of money for political advocacy without disclosing the identity of the donors, a phenomenon called "dark money". Monbiot (2017) observed:

Few people would see a tobacco company as a credible source on public health, or a coal company as a neutral commentator on climate change. In order to advance their political interests, such companies must pay others to speak on their behalf. (para 2)

Hundreds of millions of dollars of dark money are being spent by these means in every election cycle, and only 15 groups were responsible for more than 75 percent of dark money political spending between 2010 and 2016. The single largest channel of funds was the US Chamber of Commerce (Corbett, 2018). The result is legislation distinctly at odds with the opinions of the majority of American voters. Gilens and Page (2014) compared a 20-year data set of opinion polls on proposed changes to public policy with actual legislative changes on the issues. They found that when majority opinion differed from elite opinion, elite opinion consistently prevailed.

A journalist who specializes in the very rich assured his readers that there was no reason for alarm because the views of the very rich normally align with the views of the majority of citizens (Frank, 2014). Such reassurances, coming from a journalist working for the largest media company in the United States, should be taken with a grain of salt. Bagdikian (1990) traced the effect of takeovers and mergers on media in America. He noted that 80 percent of daily newspapers were independently owned after World War II, but by 1989 that number had inverted, with 80 percent owned by corporate chains. Similarly, control of most of the country's 11,000 magazines had shrunk to three corporations by that time. More than 25,000 media outlets, comprising newspapers, magazines, television, books, and motion pictures, were controlled by just 33 corporations. That number had shrunk to eight corporations by 2006. Media corporations have interlocking directorships with other large corporations. Not surprisingly, the range of opinions and the demographics of those who present them in these mass media outlets are narrow (Shah, 2009), reflecting the interests of those who own and control them.

SUSTAINABLE DEVELOPMENT GOAL NO. 8 REVISITED: ECONOMIC GROWTH

The idea that endless economic growth is compatible with sustainability calls for sceptical scrutiny. Ecological economist Herman Daly recounted how the authors of a World Bank

report on development wanted him to provide them with examples of win-win strategies combining economic growth with environmental protection. Daly commented, “What could I say? None exists in that pure form; there are trade-offs, not ‘win-wins.’ But they want to see a world of ‘win-wins’ based on articles of faith, not fact” (in Goldman, 2005, p. 127).

A massive lacuna in classical economics continues to tinge the worldview of today’s neoliberal economists. Classical economics developed during the 18th century in a very different world from the one we currently live in. It was a relatively empty world with seemingly inexhaustible resources in which pollution was only an occasional, local and insignificant problem. The human population of the Earth was less than a billion.

That may be why classical economists ignored the natural world in modeling economic activity. The standard economic model, which continues to be taught around the world, describes a circular flow of exchange value between firms and households. Firms hire workers to produce goods and pay them wages, which they use to purchase the goods that firms produce. It is like a perpetual motion machine that increases in value with every cycle. However, perpetual motion machines violate the laws of thermodynamics, which is why they don’t exist outside the human imagination. What the classic economic model conspicuously lacks is any mention of resource input and waste output. In fact, the majority of the resources used in human economic activity end up as waste. Increased economic activity means more waste, especially when waste reduction is, at best, peripheral to the calculations of economic agents.

The world population of one billion in 1800 had become more than seven billion by the end of 2017. It has tripled in the last 60 years. In a parallel development, humanity is producing ever more goods and services. The pollution that accompanies this ever-increasing production is overwhelming the Earth’s capacity to regenerate the resources we need to survive.

The mathematic formula that underlies the concept of constant economic growth is the same basic formula that describes population growth. The same formula is also used to calculate interest on a loan. A loan at 6% annual compounded interest will double approximately every 12 years. The graph below illustrates that growth rate. The steepness of the slope differs for different percentages, but the overall shape of this kind of curve is basically the same. The slope of the curve begins to approach infinity as the numbers increase on the x-axis. However, infinity is a mathematical concept. In the real world, there are always factors that limit growth.

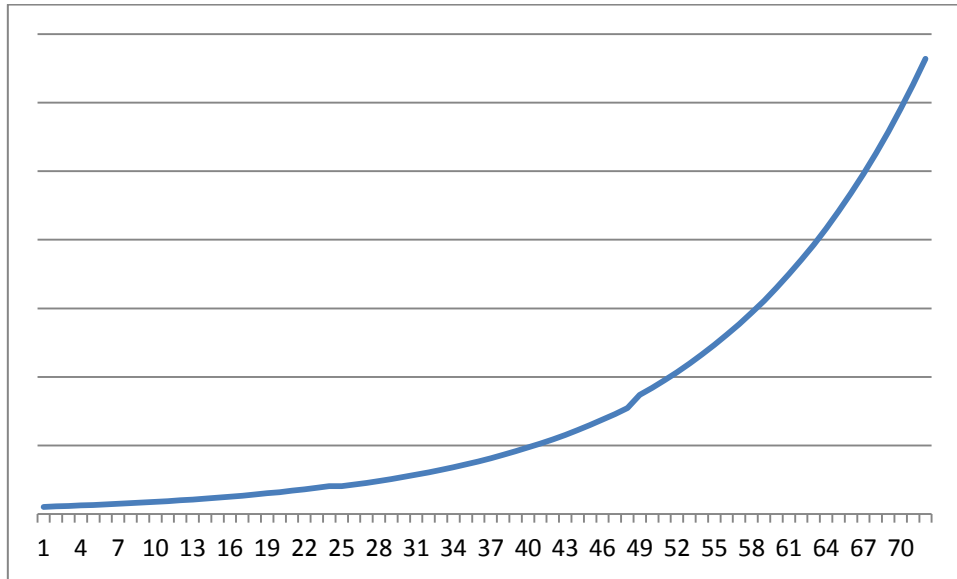


Figure 3

Interest requires steady economic growth to produce the added wealth that validates the payments of principal plus interest on a loan. Interest thus sets the parameters of a system that requires perpetually increasing conversion of the natural world into manufactured goods.

CONCLUSION

The corporation is the most important means of organizing economic activity in the modern world. Although its contribution to the production of wealth is undeniable, that has come at a high price. The corporation is designed by law to have a single goal: maximizing the profits of its shareholders. This makes corporations inexorably committed to externalizing the costs of their activities. It would be difficult to find exceptions to this phenomenon. The profits that corporations make from activities that drive environmental degradation and climate change have incentivized them to obstruct initiatives to reorganize societies on a more ecologically sound basis.

Diamond (2005) has identified major causes that drove past societies to collapse. Two of the most important were practices that degraded their environments, and divergence between the short-term interests of the elite and the long-term interests of the society as a whole. Corporations are run by elites; their short-term interests are reflected in austerity budgets that cut public education, health and social services. Their competition to cut costs has resulted in the impoverishment of the middle class of developed economies and the creation of global supply chains that endanger the health and lives of poor workers in developing countries. Their model of mergers and acquisitions in media has strangled free expression and left citizens ill-informed and misinformed. Their massive spending on politicians has deformed public discourse.

Power has shifted dramatically over the last 50 years away from publicly elected governments in favour of corporations. The hierarchical structure of corporations is antithetical to democracy. Decisions are made by a small group of men (almost inevitably) at the top, frequently without consultation, and these are then delivered as commands to the employees below. This approach to decision making can be seen in the negotiation of international trade treaties. Corporate lawyers help draft these agreements through private

consultations with bureaucrats who are themselves involved in revolving-door relationships with corporations. A recurring feature of these treaties is that they undermine the ability of governments to regulate multinationals in ways that could adversely affect their profits. That includes matters related to the environment, worker safety and minimum wages, among others.

In theory, there are certain things that could be done to curb the negative aspects of corporations while maintaining their economic efficacy. The benefit corporation is a recent innovation in the legal frameworks that regulate corporate activity. Benefit corporations are designed to do more than just seek profit. Their directors are expected to take into consideration the interest of other stakeholders besides shareholders in their decisions. These typically include employees, suppliers, customers, the communities in which the businesses operate, and the environment. In 2010, Maryland became the first jurisdiction to provide a legal basis for this type of corporation, and more than 30 other jurisdictions in the US and other countries have followed suit. One of the legal requirements of such corporations is to publish annual reports on “their social and environmental performance using a comprehensive, credible, independent, and transparent third-party standard” (Wikipedia). The idea that a corporation should take into account the interests of other stakeholders has some existing precedents. Germany has a long history of worker representation on corporate boards of directors. Currently, large corporations are required to have 50 percent employee representation on their boards. Most other countries in the European Union encourage or require some employee representations on corporate boards.

This raises the question of whether the behaviour of American corporations is culturally specific. It can be argued that the American understanding of the role of corporations in society is a reflection of America’s apotheosis of individualism. Americans love rags-to-riches stories of self-made men who became millionaires and tend to believe that anyone can become rich if they work hard enough. Libertarianism is an increasingly popular American ideology that portrays society as a collection of individuals threatened by an intrusive government having too much power. This world-view ignores the intrusive power of corporations. In the past, government did to a certain extent act as a counterforce that protected citizens from the power of corporations. By the 1990s government had been thoroughly captured by corporate money. Since then, there has been no effective countervailing force to oppose the neoliberal economic ideas that protect corporate interests. Neoliberal economics has long provided intellectual justification for a set of policies that increased economic and social inequality in the name of efficiency, productivity and the eventual benefit of all. It should have lost intellectual credibility since the 2008 crisis, but its bankruptcy has been masked by the fact that its proponents continue to hold key posts in academia and government. One step towards sanity would be the replacement of its utopian descriptions of how economies work with more empirically grounded approaches. An essential part of the needed vision is to understand that economics must be treated as a specialized subset of ecology. If the world has to wait for the existing generation of neoliberal economists to die off before alternative ideas supplant their theories, it may be too late.

The prognosis for reining in corporate power is not encouraging. When a small, well-organized group of people with concentrated resources is aligned against a large, disorganized group of people with scattered resources, it is difficult to imagine scenarios in which the interests of the majority will be realized.

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