



## Constituting a Democratic Economy

### *Plans for the Economic Democracy Project*

If people relied for news on the local paper and the nightly TV news, they might think what most Americans seem to think: that the Enron-WorldCom crisis is over, finished, yesterday's news. Nothing could be farther from the truth. In the pages of the business press—and particular kudos to the *Wall Street Journal* for its superb coverage—it is unmistakably clear that this ethics debacle is the deepest, most disturbing, most wide-reaching crisis capitalism has faced since the Great Depression. I recently started a file labeled the “Ongoing Crisis,” and I find, a full year after Enron imploded, that the file grows fatter every day.

Consider, for example, the events of a single recent week—the final week of October 2002. Monday began with \$2 billion of reform news. That was the cost Wall Street firms would eat, in a proposed legal settlement to overhaul how they provide stock research to small investors. Tuesday's figure was \$415 million—the amount of a secret company loan that WorldCom director Stiles Kellett Jr. was reported to have approved for the CEO, in exchange for use of a company jet. Wednesday was a day for threes, with a story about how \$3.8 billion in phony accounting entries was unearthed at WorldCom by three unauthorized employee sleuths—working secretly at night on research their boss tried to stop. Thursday's number was 78: the number of counts of fraud leveled against former Enron CFO Andrew Fastow in an indictment. Friday's number was simply one: one sorry appointment of William Webster to head the one new accounting oversight board supposed to set all things right, when his one qualification, as *New York Times* columnist Paul Krugman put it, was that he “could be counted on not to get the job done.” (Webster has, thankfully, now resigned.)

The Enron-WorldCom crisis is far from over. The Bush administration would like to sweep it under the rug, but it's a big beast and it refuses to lie still under there. You won't hear it on the nightly news, but fever for corporate reform is growing, from the grassroots to leftist think tanks to business schools to progressive attorneys. Folks are gathering and talking about new visions of genuine corporate accountability.

The conversation is about deep and substantial reform. That's what *Business Ethics* will be covering in coming issues. Several periodicals have reported that *Business Ethics* is going out of business. But to paraphrase Mark Twain, reports of our death have been greatly exaggerated. We are transforming. In 2003, we will change Mavis Publications, Inc., which owns *Business Ethics*, into the nonprofit Economic Democracy Project. *Business Ethics* will still be published, with added coverage of economic democracy issues.

Economic democracy is about writing the constitution for a democratic economy. It's about not leaving corporate social responsibility to the PR department, but creating real accountability. Corporations today are accountable to no one, and mainstream reform aims to make them accountable only to shareholders. We need accountability to the public good. Democracy is about two things: it's about an overriding concern for the public good, which is its animating spirit. And it's about structures that bring that concern to life—structures of checks and balances, decision-making, voice, and accountability.

The news of my “Ongoing Crisis” folder is that in corporations today, these structures are entirely lacking. When auditors no longer audit so employee sleuths must uncover fraud surreptitiously; when the effectiveness of an oversight mechanism can be weakened by a single person; when a board member can secretly trade multi-million-dollar favors with the CEO—these are symptoms of a system devoid of checks and balances. They are symptoms of a system in need of redesign.

It begins with a vision of what a democratic economy would look like, how an accountable corporation might be designed. Helping to articulate and spread that vision is the aim of the Economic Democracy Project. We will do this in four ways:

1. We'll publish **special sections** of *Business Ethics* around themes of economic democracy, like corporate chartering, stakeholder reporting, green taxes, employee ownership, corporate personhood, and new voices in governance. Our Jan./Feb. 2003 issue will look at how institutional investors can be focused on the public good.

2. Each theme issue will be accompanied by a **web-based Briefing Book**, pointing to further reading, resources, and links—bringing together a permanent knowledge base for economic democracy.

3. **Press outreach** will be done around these special themes, with op-eds, press releases, and other journalists' materials—with the aim of injecting these ideas into mainstream dialogue.

4. **Dialogue groups** will be convened among opinion leaders, bringing together business school professors, social investors, business journalists, or company founders, to discuss how economic democracy might integrate into their work.

However fervently some might hope for it, the issue of corporate reform is not dead. Neither is *Business Ethics*. We're very much alive, getting ready to launch on our new mission, which is simply this: to work at points of highest leverage, helping to transform our economic system design from one that serves the few to one that serves the many. ✎



BY MARJORIE KELLY

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