



Despairing Globally, Hoping Locally

The promise of state-level action as an avenue for corporate reform



BY MARJORIE KELLY

Despair is a word like a wound, so tender one hesitates to touch it. It's a feeling one might hesitate to invoke, were it not so palpable today in even the most casual conversations. There are many reasons for despair: the inability to prevent war on Iraq despite massive protests; the long drought in the economy; the seeming impossibility of genuine corporate reform, even after the cataclysm of Enron. Lately it's the war on people's minds. But it's despair I wish to speak to: that feeling that our situation will never change, that our actions have no effect. What I see is fresh reason for hope.

Beneath the radar of mainstream awareness, something remarkable is arising. It's a promising new path for systemic corporate reform at the state level. This may be the last place we think to look, but it should be the first, since it is states that charter corporations and have the power to redefine them.

This power of definition is one we rarely think of. Much reform energy recently has focused internationally, with protests against the World Trade Organization and the World Bank. But those financial bodies rebuff popular input the way a duck's back repels water.

In other cases, reform has focused on individual companies, urging McDonald's and Burger King to treat animals more humanely, for example. But there are countless policies at thousands of companies. Changing one policy at a time is like shoveling a snow-bound driveway with a teaspoon.

Picture a simpler scenario: activists meeting in a church basement in St. Paul—not needing a cast of thousands but numbering only 30. Rather than being tear-gassed and jailed, they drive to quiet meetings with state legislators. Beneath their mild manner, these activists are relentlessly, calmly, effectively working to change the corporate form itself, at the level of DNA. Instead of taking a teaspoon to corporate policy, they're redefining the framework that gives rise to all policies.

The state legislation they propose would change the nature of the corporation itself, by redefining its purpose. Instead of chasing myriad bad corporate outcomes like a million annoying flies, corporate purpose legislation goes to the source. It sweeps out the larvae before they hatch, so to speak.

The vehicle for changing corporate purpose is directors' duties. And the idea of working at this leverage point is catching on. No bill has been introduced yet in Minnesota, but a group of legislators—led by Rep. Bill Hilty (DFL-Finlayson)—is meeting to strategize around several possible bills. Activists are at the table. That's the beauty of state-level work: ordinary citizens have voice.

Fundamental change may be coming within

reach. In California—where the state legislature is controlled by Democrats—corporate purpose legislation was introduced Feb. 21 by Senate Majority Whip Richard Alarcón (D-San Fernando Valley). While current law says directors must maximize profits for shareholders, Alarcón's Good Corporate Citizen bill (SB 917) says companies may not do so at the expense of the environment, human rights, the public health, the community, or the dignity of employees. The attorney general could bring civil action against violators. Under certain conditions, directors would be personally liable.

It's hard to overstate how profoundly this could change corporate behavior. Instead of rubber-stamping whatever actions fatten the bottom line—keeping a dirty power plant open, or laying off 10,000—directors would be asking about impact on employees and the public good. They'd be trying to avoid social harm, because their own pocketbooks would be at risk.

Alarcón says his bill may not pass in a single session. "Most significant changes in American law take some time," he said. "But the discussion is as important as the end product."

Hilty agrees. He says the aim is to educate the public about the corporate form as the source of social ills. "It is at the bottom of virtually every major problem we deal with," Hilty emphasized. This is an issue to which he's dedicating himself. And he hopes to coordinate bills with Wisconsin, Iowa, and North Dakota, through the Midwest Progressive Elected Officials Network. Alarcón has a similar commitment. "I will make this part of my fundamental mission," he said.

California is a great place for this to start, with anger at Enron's electricity price-gouging fresh there. But Democrats also control 15 other state legislatures, including Connecticut, Illinois, Maine, Massachusetts, and Maryland (in Minnesota party control is split).

Something big may be stirring. Redefining corporate purpose would be a significant step toward a more humane economy. As the Minnesota activists remind us, at the state level democracy can still work. And in this season of national and international despair, that's reason for hope. ✂

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