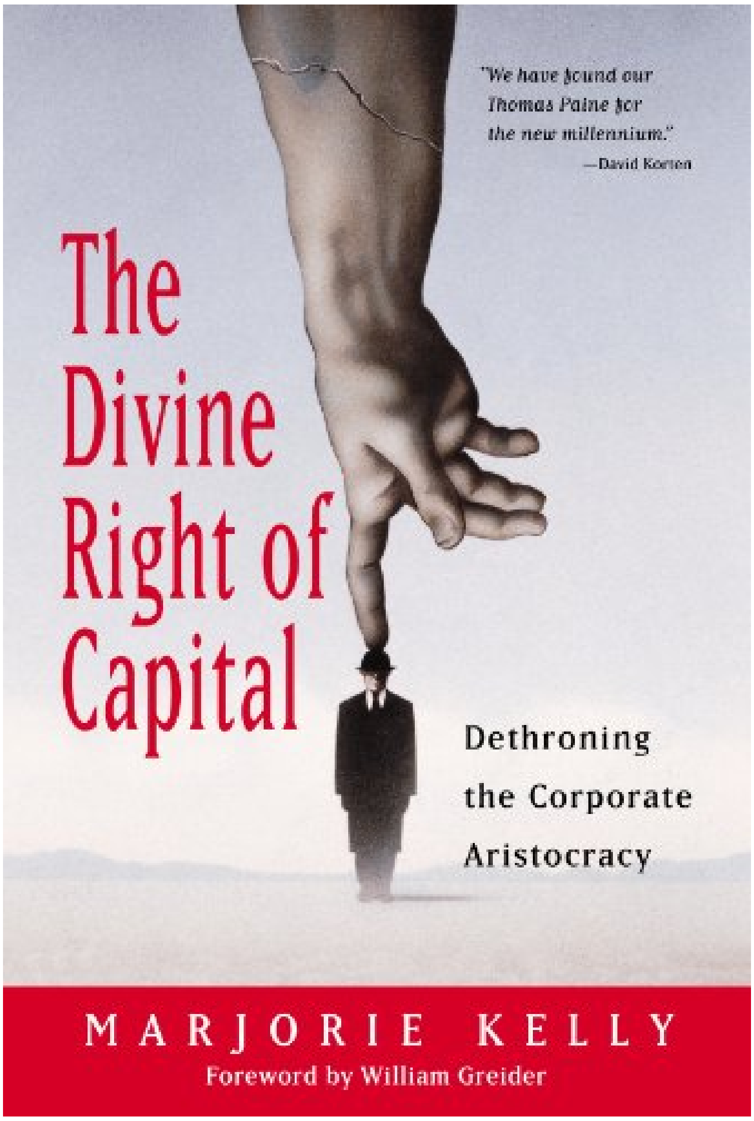
The Divine Right of Capital: Dethroning the Corporate Aristocracy

Marjorie Kelly



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Marjorie Kelly : The Divine Right of Capital: Dethroning the Corporate Aristocracy before purchasing it in order to gage whether or not it would be worth my time, and all praised The Divine Right of Capital: Dethroning the Corporate Aristocracy:

5 of 5 people found the following review helpful. fantastic and mind changingBy CooljonnorrisThis is one of those great conceptual works that completely changes the way one sees the world or certain parts of it. Over and over, page after page, and chapter after chapter, new ways of seeing economic systems we take for granted are displayed with clarity and brilliance.Although I was always suspicious of it and the reality was always there for me to see, I never put the pieces together to realize just how big a con game the stock market and "public" corporations really are.Stop and

think about it: we are told day in and day out that stocks provide capital/equity for businesses. However, this is not completely true, and certainly a long way from accurate. Granted, the initial stock sale to the public provides some capital for a company, but after that, the money for the sale of stock rests in the hands of the buyers and traders of that stock. For example, a relative of mine bought Sears stock when it was 19 cents a share (long time ago - old relative), and that 19 cents went to Sears. I just looked at Sears stock, and it is selling for around 84 dollars today. The thing is, none of that 84 dollars will go to Sears (unless it is holding some shares and is actively selling) - the traders get their commission, and the seller, whomever that might be, gets the rest (and the IRS will want its share as well).How does that benefit Sears (besides getting them good ratings for borrowing money)? People are selling shares which originally made Sears 19 cents, and making 50 times more than Sears got for that share, and NONE of that value goes to Sears. Stockholders still expect Sears to pay dividends on that 84 dollar share, even though multiple, repeated sales of it provide no equity or cash flow to Sears at all.If that is not a con game, I don't know what is. What other business would put up with a situation like that. Would you expect your car company to provide you with free gas and oil changes for life, even if you bought the car second, third, or forth hand? Of course not. We would think someone completely insane to even suggest an arrangement like that. So why do we do the same thing for stockholders who provide no real benefit to the company whose shares they hold?And spare me the nonsense about "ownership." Virtually no small shareholder "owns" any palpable interest in any company for which they hold stock. Stockholders no more add value to the company than do people who own antiques add value to the original maker of a piece of furniture. (Or a collector of Barbie lunch boxes.) The stock market is a rigged casino for the elite to "mine" the wealth created by others, at the expense of others. It is a parasitic cancer.This and much more about how upside-down our economic system is can be explored in this book. It will stimulate your thinking about what is real wealth and value, and whether wealth belongs to those who create it, or those who control/manipulate the economy.Another notion explored is that it is labor which creates wealth/value, not capital. In fact, capital is the product of labor, not the other way around, which our Founders understood quite well. The idea that capital creates wealth is especially stupid today, when it is extremely obvious that it is knowledge and artistry which create wealth, with capital little more than grease in the gears. Should the grease monkeys keep all the profit? I think not.Unfortunately, the book is marred from time to time with less than well thought out examples, such as SAIC. SAIC is involved in a lot of highly secret "black" government projects, and its behavior is not as open to scrutiny as one would like in an example of good corporate behavior. Also, the idea that a certain percentage of employees share greater benefits than the rest without exploring the reason for them being chosen becomes a groundless argument which does not further the author's point. it merely reinforces the whole idea of economic aristocracy and class war.A great read, full of brilliant insight, well thought out and researched ideas. This is a must read for anyone living in today's world.9 of 9 people found the following review helpful. Uncommon KnowledgeBy T. BarchakThis book is a major myth buster. American culture is so wrapped up in corporate free market mythology that people like Marjorie Kelly are voices in the wilderness. But what a voice!She is razor sharp in her disection of those things we all think we know about economics. For example, we have all been convinced that the profit of shareholders makes our world go round. In truth shareholders are basically parasites on the economic system. Only the intial sale of common stock actually benefits a corporation. The trading of millions of shares that happens each day is about speculation not the creation of real wealth. When you buy a used Ford Escort your purchase does not benefit Ford Motor Company. Likewise when you buy a share of Ford stock your purchase does not benefit Ford Motor Company. It is so simple, yet so unknown as to be mind blowing.And that is just one of things you will learn in this book.46 of 49 people found the following review helpful. Feudalism is alive and wellBy J. GrattanThe central aim of "The Divine Right of Capital" is show that the structure and legal basis of the modern American corporation bears a great deal of resemblance to feudal estates of the Middle Ages. However, this situation is at odds with an era that holds democracy to be sacred. Large corporations that draw upon the ideas of an era of aristocratic privilege are contrasted with corporations organized democratically. A secondary and less successful interest of the book is to show paths that have or could be taken to bring about such a change.The author outlines those characteristics of modern corporations that can be considered aristocratic. The aristocratic corporation adopts the legal pretense of being a non-public, private entity. Based on private property rights, a distant and ever-changing group of stockholders have the liberty and voting rights to choose the CEO, while the core constituent body of the corporation and the actual wealth producers, the employees, have no legal voice. Financial gains for the stockholders by virtue of their "ownership" position, irrespective of any real corporate functionality, are to be maximized while costs, which employees represent, are minimized. It is this "wealth privilege" that is truly reminiscent of the status of the olden feudal lord.By contrast democratically organized corporations would be developed and viewed much differently. First, it would be acknowledged that corporations are semi-public entities with obligations for the public good and subject to control by both the community and employees. A body of distant, amorphous "owners" would not be able to disenfranchise a stable, human community of workers, that is, the employees. The aims of the corporation would reflect the primacy of employees. Payouts to stockholders would be viewed as costs to be contained with the rewards of productivity improvements accruing to employees.Historically, however, the author notes that in the early republic corporations were chartered by state governments for fixed terms to accomplish specific functions and were subject to some government oversight with the possibility of charter revocation. But a series of court decisions established the "bizarre" notion that corporations are private entities with full rights as persons. In that construct, employees are subsumed within the corporation with only a subservient role to perform.Turning to more recent attempts at ameliorating the primacy of shareholders, the author notes that some states have enacted legislation that obligates corporations to act in the best interests of other stakeholders including employees, customers, and the community. But much of that legislation is relatively weak and untested. In addition, voluntary corporate initiatives such as codes of conduct or enlightened management seem to be mostly reactionary with little staying power.At this point in our economic and political history, any change in the structure of corporations would be a most difficult task.Free market economic theory, the current rage in the U.S., holds that more or less equal entities freely interact in the economy. The fiction of corporate personhood dovetails with the theory perfectly. Corporations are just people; the non-democratic power dynamics and the privileges of corporations are neatly hidden away. But without public understanding of the aristocratic vestiges of corporations, the privileges of wealth, there will be no public clamor for change. Even the Enron debacle is likely to be viewed as simply personal criminality rather than an example of more general flawed corporate structure. The author does not delve into the public's perceptions of corporations or for that matter the media's role in manipulating those perceptions. But that may be a subject for others. "The Divine Right of Capital" certainly delineates the aristocratic nature of corporations in a democratic age.

* Updated paperback edition includes a new chapter and a Reader's Guide * Explores the real causes of the Enron fiasco and other recent corporate scandals * Explodes the myth that the stock market is "democratizing" wealth * Gives practical guidance to help employees and communities change corporate governance and unfetter the genius of the free market Wealth inequality, corporate welfare, and industrial pollution are symptoms-the fevers and chills of the economy. The underlying illness, says Business Ethics magazine founder Marjorie Kelly, is shareholder primacy: the corporate drive to make profits for shareholders, no matter who pays the cost.In The Divine Right of Capital, Kelly argues that focusing on the interests of stockholders to the exclusion of everyone else's interests is a form of discrimination based on property or wealth. She shows how this bias is held by our institutional structures, much as they once held biases against blacks and women.The Divine Right of Capital exposes six aristocratic principles that corporations are built on, principles that we would never accept in our modern democratic society but which we accept unquestioningly in our economy. Wealth bias is a holdover from our pre-democratic past. It has enabled shareholders to become a kind of economic aristocracy. Kelly shows how to design more equitable alternatives-new property rights, new forms of corporate governance, new ways of looking at corporate performance-that build on both free-market and democratic principles.We think of shareholder primacy as the natural law of the free market, much as our forebears thought of monarchy as the most natural form of government. But in The Divine Right of Capital, Kelly brilliantly demonstrates that it is no more "natural" than any other human creation. People designed this system and people can change it.We need a change of mind as profound as that of the American Revolution. We must question the legitimacy of a system that gives the wealthy few-the ten percent of Americans who own ninety percent of all stock-a disproportionate power over the many. In so doing, we can fulfill the democratic principles of our nation not only in the political sphere, but in the economic sphere as well.

From Library JournalThe founder and editor of Business Ethics and a frequent contributor to NPR, Kelly here considers how corporations strive to make money for their shareholders regardless of the costs to society. The first of the book's two parts discusses the principles of economic aristocracy, showing how the corporation exists not for the employees or the community it supposedly serves but for the investor. Examples include the maxim that paying stockholders is more important than paying employees, the belief that the corporation is a property that can be owned and sold, and the fact that only stockholders can vote to determine the company's future. This power structure has resulted in layoffs, plant closings, and other forms of social discord. In the second part, she examines a thought-provoking course of action that would improve matters a new set of paradigms and laws that would result in economic democracy, insuring that corporations exist for the public good. Jefferson, Lincoln, Roosevelt, John Locke, and Adam Smith are some of the luminaries she cites to support her points of view. This well-documented and readable book is a good choice for business school libraries. Steven J. Mayover, Philadelphia Copyright 2001 Reed Business Information, Inc. "Brilliant. So simple. So direct. And so beautifully written. I think we have found our Thomas Paine for the new millennium." - David Korten, author of When Corporations Rule the World "A marvelous piece of work - clear, concise, and beautifully written. It raises all the right questions with insight and provocative observations." - Dee Hock, Founder and CEO Emeritus, Visa InternationalFrom the Publisher"Brilliant. So simple. So direct. And so beautifully written. I think we have found our Thomas Paine for the new millennium."mdash;David Korten, author of When Corporations Rule the World "A marvelous piece of workmdash;clear, concise, and beautifully written. It raises all the right questions with insight and provocative observations."mdash;Dee Hock, Founder and CEO Emeritus, Visa International