THE NEW CORPORATION

HOW "GOOD" CORPORATIONS ARE BAD FOR DEMOCRACY

JOEL BAKAN
AUTHOR OF *THE CORPORATION*

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THE NEW **CORPORATION**

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Are Bad for Democracy

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For

Rebecca

Myim and Sadie

and Paul

with all my love

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INTRODUCTION

ON APRIL 19, 2019, the Business Roundtable, led by JPMorgan Chase's Jamie Dimon and composed of more than two hundred of America's top CEOs, heralded the dawn of a new age of corporate capitalism. Henceforth, the CEOs proclaimed, the purpose of publicly traded corporations would be to serve the interests not only of shareholders but also of workers, communities, and the environment. The declaration capped a two-decade-long trend of corporations claiming to be different, to have changed into caring and conscientious actors —ready to lead the way in solving society's problems. I call it the "new" corporation movement. And for those within it who occupy the rarefied heights of elite corporate boardrooms, life has been good. For a twenty-year run, productivity was up. Profits were up. Stock prices broke records. Innovation seemed boundless. New ways to make money were discovered each day. And the rich kept getting richer. No doubt the coronavirus pandemic has tamped down the rise, and it may be awhile before corporations regain their full swagger. But they almost certainly will—especially as governments shower them with bailouts and infusions of cash.

Less certain are the fates of the vast majority of people in the United States and around the world whose lives became increasingly precarious as Wall Street soared and who, as a result, now suffer inordinately from the pandemic. Over the last two decades, workers' wages stagnated, inequality spiraled, public services—including health services—were shredded, good jobs and unions disappeared, and people worked harder for less pay and with less security (if they worked at all). Today, half of Americans cannot pay an unexpected four-hundred-dollar bill without selling something or going into debt, and millennials are the first generation in U.S. history to be worse off than their parents. Proper health care and housing are beyond the reach of many, and for the first time, mortality rates in the United States began rising in 2014. Opioids destroy lives and communities, and "deaths of despair," from suicide and drugs and alcohol, are at all-time highs. Growing social division fuels hate and xenophobia, corrodes democracy, and enables the rise of demagogues, while climate change ravages the planet with ever-deadlier wildfires, floods, droughts, and hurricanes, heightening the risk of future pandemics, among other things.

Despite their claims to be ready to help, the “new” corporations cannot solve these global ills. But more important than that—and this is my central argument—they are a large part of the reason things have gotten worse so dramatically and quickly over the last two decades. Indeed, the publicly traded corporation (hereinafter “the corporation”) never really changed, at least not *fundamentally*. It is the same psychopathic institution I diagnosed twenty years ago (in a book and a film, both called *The Corporation*). But it is more charming now. And it uses that new charm to convince us that it’s benevolent, that we can drop our guard and let it take control.

Casting themselves as good actors, corporations cajole governments to free them from regulations designed to protect public interests and citizens’ well-being, claiming they can be trusted to regulate themselves. They take over public services—like schools, water systems, and social services provision—saying they will run them better and more efficiently than governments, and they push for tax cuts with promises of jobs and other societal benefits. The result? Governments retreat from governing, corporations take greater control, and we become a society that no longer *has* corporations but that *is* corporate—the reason, I claim, “good” corporations are bad for democracy.

Fortunately, there is a counterforce. Global resistance to corporate power and rule has surged over the last decade, an antidote to both the false hope of the “new” corporation and the growing sense of hopelessness pervasive in society. More and more, through rising protest and political action, people refuse to accept the hollowing out of democracy and the severe threat corporations pose to people and planet. It may be that the coronavirus pandemic is weakening corporations’ hold on society, as it lays bare the injustices and inadequacies of the current system, and fosters newly robust senses of community and democracy. That’s cause for hope, no matter the many reasons for despair.

1 THE NEW CORPORATION

IT'S A COLD JANUARY NIGHT in Davos, high up in the Swiss Alps. Snow falls hard as Bibop Gresta, chair of Hyperloop Transportation Technologies, runs quickly down the town's main street, dancing nimbly among icy patches, trying not to slip and fall. Tuxedo clad and straining to see through fogged-up designer glasses, the forty-something entrepreneur is late for a party being hosted by JPMorgan Chase CEO Jamie Dimon and former British prime minister Tony Blair. Rumor has it Al Gore will be at the party (he is), and Canadian prime minister Justin Trudeau will show up (he doesn't). The usual coterie of business titans, high-tech entrepreneurs, and government and nongovernmental organization (NGO) officials will be there, networking boozily through the night, aglow with their own good fortune, champagne flowing and music booming. Welcome to Davos, the usually sleepy alpine village that transforms into a party hub for the global elite each January when the World Economic Forum (WEF) comes to town.

Davos is "a great occasion to meet a lot of the big players," says Gresta, a former Italian pop star ("I had twenty big hits, all terrible—it was the nineties," he jokes) turned high-tech entrepreneur. Now head of the company developing Elon Musk's idea of a Hyperloop—a trackless train that travels through a tube at speeds of up to eight hundred miles an hour, levitated and propelled by vacuums, magnets, and solar power—he's in Davos looking for financial backers. Dimon has agreed to meet him at the party. "I promised to be there early, to be received by him and by Tony Blair," he says, but in Davos "you're always late, there's always something happening, and you're trying to make the best of the time that you have." His previous meeting, with celebrity rapper Akon, had run late, then he lost valuable time changing into his tux—"to be recognized as credible, you actually have to dress in a certain way," he told me—and now his stylishly pointy shoes, which have no grip on the icy sidewalk, are slowing him down.

Also on her way to Dimon's party is Sandra Navidi, a New York consultant and author. As a Davos regular, Navidi doesn't even attempt stylish footwear on the ice-covered streets. Instead, she's wearing distinctly unfashionable snow boots (with pumps tucked away in an oversize purse), ready to navigate among the several parties she'll attend over the course of the evening. Well-known and liked in Davos, despite her gentle jabs at some of its elite attendees in her book, *Superhubs: How the Financial Elite and Their Networks Rule Our World,* Navidi sees the annual gathering as an opportunity to connect with "people who have the power to change things, and to get a sense of how they think and how they feel." She's looking forward to the usual networking and schmoozing at the party and also to saying hello to her friend Jamie Dimon, who, she says, "has a preeminent position among the titans of the financial industry; he's sort of their unofficial ambassador in Washington." When Navidi sees Dimon at the party, they share a hug and double-cheeked kiss.

Gresta, who has arrived at the party slightly late, though intact, waits for the right moment and then approaches Dimon, who greets him warmly before chiding him about his formal attire. The two talk for several minutes, a quick meeting but, Gresta tells me afterward, a good one. Dimon seems open to working with him, says Gresta, who is excited at the prospect, in part because of Dimon's commitment to sustainability and societal improvement at JPMorgan Chase. For Gresta, sustainability and improving society are central concerns, the reason he was originally drawn to the Hyperloop, which, he says, is *sustainable*—fueled by renewable energy and potentially creating more energy than it consumes—and also *improves society* by allowing people to connect across long distances faster. For these reasons, Gresta believes, Hyperloop Transportation Technologies "represents a new generation of companies that will change everything."

I became interested in Gresta and Navidi and decided to follow them around Davos because each embodies, albeit in different ways, the much-heralded "spirit of Davos." Hardheaded businesspeople and entrepreneurs, they believe in capitalism, work within it, and see it as key to creating a better world. But they're also highly critical of its current trajectory—its blinkered greed, spiraling consumerism, and harmful impacts on society and the environment. "This is stupid," Gresta says of today's capitalist system. "The ecosystem is in decline thanks to us. We need to do something to reverse this. It's not a matter of 'if'; it's a matter of 'when,' or we will actually disappear." For Navidi, capitalism's current excesses seriously threaten democracy, as a small clique of the global superelite accumulate power that "actually exceeds that of democratic people." As a result, she says, people lose faith in the system, grow alienated from it, and turn to self-proclaimed outsiders, populist strongmen like Donald Trump, who then further entrench elite rule and corrupt democracy.

Gresta's and Navidi's mix of idealism about capitalism as it could be and criticism of capitalism as it is mirrors views of their Davos host, Klaus Schwab. Schwab, an economist by trade, founded, and has always been head of, the World Economic Forum and its annual Davos meeting. He's deployed both for four decades to try to nudge capitalism toward a more enlightened and conscientious form. Today's capitalism—"neoliberal," as he describes it—is dangerously broken, a "free market on the rampage, a brakeless train wreaking havoc." Fixing it is central to the WEF's mission. "The World Economic Forum was never in favor of neoliberal globalization," he told me. "We always argued for the need to make globalization much more equitable." And the way to do that, he says—and has been saying for almost a half century—is to inject into corporations, and the globalized capitalist system as a whole, a new and deeper sense of social responsibility.

"In 1970, I was asked to write a book on modern management," Schwab says. "I had to ask myself the question: What is a company? What is the purpose of a company? Is it just to make money?" His answer was "no," that while corporations must make money, they're equally obliged to respect, and indeed promote, the interests of society and all whom their actions affect. "Stakeholder capitalism" is what he called his idea, and he's happy, he says, that it's now "more accepted than it was in the past," that we've reached the point where "social and environmental values have to be part of corporate action and corporate decision-making." Still, there's much work to do, he says. "New thinking on how we combine or how we blend moneymaking and social responsibility" is needed, and that's the reason "we at the World Economic Forum engage companies in corporate global citizenship."

Schwab believes the corporation needs a heart, like the Tin Man in the *The Wizard of Oz*. And as a kind of Wizard of Davos, he has made it his life's mission to make sure it gets one. Under his watchful eye, Davos has evolved over the years into *the* global hub for ideas and initiatives aimed at making corporations good global citizens. Its agenda is loaded with meetings and sessions on, among other things, climate change, sustainability, inequality, poverty, racism, sexism, LGBTQ rights, and migration, each examined in terms of how corporations can become part of the solution and less of the problem.

The spirit and ethos of Davos have always been extensions of Schwab's ideas—indeed, the focus of Davos 2020 was, as the World Economic Forum described it, "renewing the concept of stakeholder capitalism to overcome income inequality, societal division and the climate crisis." Davos is all about cultivating a new kind of capitalism where corporations operate with greater commitment to solving the world's problems. It's no surprise, then, that when business leaders make vows about social purpose, it's often at Davos—as when CEOs from fourteen major companies, including Nike, Microsoft, and Coca-Cola, jointly declared a "new frontier in corporate global citizenship," where corporations are obliged to take the lead in "building better governance systems and public institutions for society as a whole"; or when Bill Gates unveiled his idea of "creative capitalism" ("a reworking of Schwab's idea of global corporate citizenship," as *Forbes* described it at the time); or when CEOs from the world's largest companies committed to new standards for disclosing their companies' performance on social and environmental issues.

Nor is it a surprise that most people who attend Davos share its—and Schwab's—convictions. Cosmopolitan, progressive, and believing corporations should embrace social purpose and do good in the world, Davos capitalists are not like their Koch brothers, anti-globalist, xenophobic, and Trumpist counterparts. The latter can surely be found here, but they're a minority who belie the overall ethos. Walking the town's mellow brick roads, you're more likely to find members of the enlightened economic elite, capitalism's doves and lambs, not its lions and tigers and bears.

Typical is Richard Edelman, whose Edelman Trust Barometer is the gospel of global public opinion prognosticators. When I met him in Davos's main plaza, he excitedly told me about how corporations are changing for the better, now embracing social and environmental values as *core* values, "in the supply chain, in the hiring practices, throughout the corporation," compared with fifteen years ago when such values were relegated to the periphery, as mere "philanthropic exercises."

Valerie Keller, another Davos regular and the executive director of global markets at Ernst & Young, agrees with Edelman. She's seen "a sea change" over the last fifteen years as corporations commit more and more deeply to social purpose. Inspired by the trend and wanting to take it further, she launched Ernst & Young's Beacon Institute (along with Sir Richard Branson, Arianna Huffington, former Unilever chief Paul Polman, and 120 other global executives) "to say we stand for a world that works for everyone, and we stand for business, and big business to be the space where that change can happen." Which captures the ethos of most corporate executives today. Based upon Keller's polling of business leaders at Davos, 80 percent of them reject "Milton Friedman's premise that business's sole obligation is to return shareholder value." Instead, they believe "that in today's transformative age, business has a wider accountability and opportunity in society." That is a significant change, she says: "If we had taken that same poll five years ago, it would have been different."

I also bumped into the world's top business guru, Harvard Business School's Michael Porter, while sitting at an espresso bar in the Davos Congress Centre. In the early 2000s, Porter coined the term "shared value" to describe how corporations can (and should) make money by doing social good. Corporations are finally getting that message, he told me. "Over the last fifteen years," he said, "the corporation has really reshaped and redefined itself, and particularly the way it relates to society and its sense of what role it can and should play in society. It's quite remarkable how big a shift that's been." By assuming leadership roles in solving social and environmental problems, major corporations have been boosting profits and growth while also becoming, he says, "the most powerful force for addressing the pressing issues we face."

Everything about Davos—not least the presence and views of business thought leaders like Edelman, Keller, and Porter—suggests that Schwab's nearly half-century campaign to inject social purpose into the corporation is working. The same is true beyond Davos, in the wider world of big business. Corporations have changed their tune, it's undeniable. Eschewing narrow self-interest and proclaiming broader social purpose, they appear significantly different today from when I first diagnosed them as psychopaths nearly two decades ago. Indeed, business leaders regularly tell me that while I may have been right back then, things have changed. "Your calling corporations psychopaths had an impact," John Coyne, a top executive at Unilever, recently told me, "but I hope we are now on the road to recovery. There's a genuinely different dialogue that's taking place about corporations and the role that they play in society." And it's true, there is. On every global issue—the environment, climate change, world poverty, and now the coronavirus pandemic—corporations position themselves as part of the solution, no longer the problem. And many now believe them, a real shift from a decade ago.

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The early 2000s was a time of great anxiety about the corporation. People were worried about what corporations were doing to society and the environment and how globalization was fueling their growing power and influence. They were searching for ways to understand and change what was happening—a search my earlier book and film, *The Corporation,* were part of. But it was another film, released around the same time, that truly anticipated what was to come.

Monsters, Inc., an animated children's tale, tells the story of a sad and dreary authoritarian city-state called Monstropolis. Home to a varied assortment of monsters, the city is ruled by its energy company, Monsters, Inc., which in turn is run by a dictatorial CEO, Mr. Waternoose. Monstropolis is not part of the human world, but each night the energy company's monster employees, including protagonists Sulley and Mike, travel to the human world through portals that exit into children's bedroom closets. From there they frighten sleeping children, not out of an animus toward children but for purely economic reasons. Children's screams are what fuel the energy company, and terrifying children is how those screams are elicited and harvested.

The apparently terrifying Sulley and Mike turn out to have hearts of gold, however. And through a series of plot twists and turns, their latent goodness bursts to the surface. Realizing they love children, and that Monsters, Inc., can be fueled even more effectively by children's laughter, they set out to change the company. After several action-packed sequences, they overthrow the evil CEO, Mr. Waternoose, take over the company, and remake the business to be fueled by children's laughter rather than their screams. Now, with the monsters making children laugh by joking and having fun with them, Monsters, Inc., gets the fuel it needs. The company thrives. The city thrives. The children and everyone else live happily ever after. With the warm and literally fuzzy Sulley and Mike now in charge, Monsters, Inc., is benevolent, no longer evil.

Fast-forward to 2017, Super Bowl LI. Tom Brady and his New England Patriots rally from a record twenty-five-point deficit to beat the Atlanta Falcons in overtime, one of the greatest sports comebacks ever. But what also had people cheering that day were the television ads. Major companies—Budweiser, Coca-Cola, and Google among them—had paid top dollar to take subtle and not-so-subtle swipes at America's own Mr. Waternoose, Donald Trump. The ads promoted diversity, immigration, and globalism while the recently inaugurated president was aggressively pursuing the opposite. Though unprecedented for their explicit political overtones, the ads reflected, and were part of, a broader corporate pushback against Trump's presidency, which included Nordstrom refusing to carry a Trump brand; Amazon joining the state of Washington to sue Trump for his executive bans on travel from majority Muslim countries; and Coca-Cola, General Electric, Unilever, and ExxonMobil joining forces, along with numerous other companies, to condemn Trump for pulling the United States out of the Paris climate accord. "It is surprising," remarked the Schulich School of Business professor Dirk Matten at the time. "Business is about business, about caring about shareholders. And suddenly we see them deeply involved in the political arena."

But it wasn't that surprising. Even before Trump became president, major companies and their CEOs were emulating Sulley and Mike, acting like good guys, trying to do the right thing. "CEO activism" is how, in 2015, Professor Michael Toffel of Harvard Business School described the phenomenon of CEOs "taking stands on political and social issues unrelated to their companies' bottom lines." This was "something new," Toffel said. "Until recently, it was rare for corporate leaders to plunge aggressively into thorny social and political discussions. But the world has changed." Three years later, writing in 2018, Toffel said he "never imagined how significant this phenomenon would become." Police shootings, discrimination against LGBTQ people, women's rights, the environment, race issues, and regressive immigration bans and policies had prompted corporate leaders to speak out and take action. Recently, for example, more than 80 companies and CEOs issued statements of solidarity with Black Lives Matter and racial justice in the wake of the murder of George Floyd.

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"CEO activism," though new, was part of a larger and longer-term shift that had begun in the early 2000s—the "new" corporation movement. Beaten down by anti-globalization protests at that time, discredited by the skulduggery of Enron and WorldCom, targeted by a growing chorus of critics (including me), and increasingly distrusted by a worried public, business leaders began proclaiming it was time to remake the corporation and redefine its mission and mandate. Their calls for change grew only louder in 2008 when Wall Street's spectacular collapse revealed more corporate rot and prompted new rounds of protest and criticism, not least Occupy Wall

Street. And change began to happen.

But it was a different kind of change from what Occupy protesters were demanding in the streets. The latter wanted curbs on corporations' power, taxes on their wealth, measures to narrow the gap between the 99 and the 1 percent, and restrictions on their political influence. Business leaders, in contrast, like Sulley and Mike —who could have started a revolution to wrest power from Monsters, Inc., and give it to "the people" ("the monsters") but instead chose to leave power where it was and make its exercise more benevolent— called for corporations to become more conscientious and socially concerned but refrained from challenging their growing power, influence, and impunity.

The results were nonetheless significant. "Around 2005," the political scientist Peter Dauvergne observes, "many of the world's biggest branded companies, from Walmart to Coca-Cola to Procter & Gamble, were suddenly making very sweeping promises of full sustainability, promises such as 100 percent carbon neutrality, zero waste to landfills, 100 percent recycling." Walmart, for example, pledged in 2005 "to be supplied 100 percent by renewable energy; to create zero waste; and to sell products that sustain people and the environment." Other major corporations made similar promises. Dauvergne says he initially thought "this was just more greenwashing," then on closer inspection realized something deeper was happening—"a proactive, real, and significant shift in how the biggest companies were dealing with sustainability."

It's true that in 2005 most large corporations were already practicing corporate social responsibility (CSR), and had been for years, many with well-publicized plans, glossy annual reports, inspiring websites, and officers and vice presidents dedicated to the cause. And it's also true that a handful of small, socially minded companies, including Ben & Jerry's, Tom's of Maine, Patagonia, Nature's Gate, and Interface, had gone beyond CSR to entrench social and environmental values at the core of their business models.

But what was new and different in 2005 was that the world's largest publicly traded corporations began doing the same, proclaiming that they, too, would embed social and environmental values deeply and across all operations. The problem with traditional approaches to CSR, these companies' leaders said, was that within their terms, social and environmental values were too confined and peripheral, reduced to "reputation-conscious public relations," as one pundit described it, rather than "embedded and integrated into the core operations of companies." Former British Petroleum head Lord John Browne, a "great proponent of CSR twenty years ago," told me that he and other business leaders realized CSR is actually "dangerous" because it dilutes companies' and leaders' commitments to social and environmental values. "Thinking about CSR as some department that is added on after you have got the business strategy right is wrong," he said. "You have to include all components of CSR in the business that you do." The problem with CSR, he explained, was that it had become "a codified activity about checking boxes and fulfilling certain criteria," effectively "relieving leaders of actively being involved" when they should be "thinking about purpose the whole time."

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Lord Browne's idea that *purpose* should be the lodestar of corporate leaders is fundamental to the "new" corporation movement. "Profit cannot be your purpose," the leadership expert Daniel Skarlicki told me. "Profit is the result, but purpose is the process for getting there." And the way you find purpose, Skarlicki said, is to "go deep inside yourself," to "understand what you truly care about, access your heart, get out of your head, reflect on what matters to you as a human being." Ernst & Young's Valerie Keller agrees. Corporate leaders have to "get it both here, and here," she says, pointing to her head and her heart. That's what defines the kind of "courageous leader" needed to ensure companies commit "to solving global challenges, putting humans at the core of what business is all about," and shifting "the paradigm and the possibility of what it means to be a business on the planet."

When asked who among corporate leaders best exemplifies this ideal, most people—including Keller and also Edelman and Lord Browne—point to former Unilever chief Paul Polman. Unilever's John Coyne agrees. "We have a CEO," he proudly told me (while Polman was still in that position), "who believes that the cult of shareholder value has seen its day." A champion of "inclusive capitalism"—"the movement to make capitalism more equitable, sustainable, and inclusive," according to the Coalition for Inclusive Capitalism—Polman boldly proselytized new corporation ideals. "I don't think our fiduciary duty is to put shareholders first," he stated. "I say the opposite. What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in sync with consumers and society and ultimately this will result in good shareholder returns."

Polman's Sustainable Living Plan, his signature achievement at Unilever, has since 2010, the company claims, reduced emissions by one million tons, achieved zero waste to landfill from factories, made substantial gains on sustainable sourcing for agricultural products, and improved the health and lives of close to half a billion people.

Polman and Unilever are not alone, however. Over the last two decades, all major companies have publicly eschewed narrow self-interest, embraced social purpose, and remade themselves (to greater and lesser degrees) to appear as conscientious and socially minded institutions—a kind of Ben & Jerry's–fication of big business. This "is not social responsibility," Michael Porter insists. "It is not on the margins of what companies do but at the center; it reconnects company success with social progress." Embracing social and environmental values is no longer "a CSR strategy," Coyne told me in a similar spirit. It's now part of "the corporate strategy for the company."

Visit the website of any major corporation and you'll wonder whether you've accidentally clicked on that of an NGO or activist group. These days, all corporate communications lead with social and environmental commitments and achievements. Walmart, for example, boasts that it has diverted 75 percent of its global waste from landfills, reduced greenhouse gas emissions by 35 million metric tons, protected nearly one million acres of wildlife habitat, cut fleet emissions by 650,000 metric tons, and supplied 26 percent of its energy from renewable sources (its ultimate goal being 100 percent). McDonald's uses 100 percent recycled fiber–based packaging, has significantly upped its sourcing of sustainable beef, fish, coffee, and palm oil, and increased energy efficiency by 20 percent. Apple powers its facilities worldwide with 96 percent renewable energy (compared with 20 percent in 2010), the average energy used by its products has decreased by 70 percent since 2008, two-thirds of its office waste is diverted from landfills, and 62 percent of the paper used in product packaging and offices comes from recycled fiber and 38 percent from sustainably sourced fiber. Recently, the company vowed it would become carbon-negative, not just carbon-neutral, by 2030.

The list goes on. All major companies boast of significant achievements across social and environmental issues. Whether it's sustainability, human rights, climate change, health, or biodiversity, they are at the forefront, they say. The recent coronavirus pandemic is a case in point. Walgreens, Target, and CVS executives were at President Trump's side when he announced a response plan, and since then, the president’s Rose Garden pandemic briefings quickly became a forum for corporate CEOs to boast of their contributions. “Fantastic. Those are great companies. Thank you very much,” said Trump after one such briefing that included executives of Honeywell, Procter & Gamble, and FedEx. In the meantime, Walmart, Amazon, McDonald’s, and numerous other companies showcase sick-leave programs for employees, GM and Ford repurpose production lines to make ventilators, *Forbes* gushes about the “50 ways companies are giving back during the coronavirus pandemic,” and major corporations’ ad campaigns tell us how much they care—that Walmart is “Here for you”; “we’re never lost if we can find each other” on Facebook; and, as Uber reminds us, we should “stay home for everyone who can’t.”

It’s no surprise really, all these good works. As Justin Bakule, former head of the Shared Value Initiative, told me (before the pandemic broke), corporations have changed, quickly and significantly, over the last two decades. Each year, Bakule helps *Fortune* magazine compile a list of companies that are “changing the world” (Jamie Dimon’s JPMorgan Chase is on the 2019 list, along with Apple, Walmart, IBM, and Ernst & Young, among others). The list, he says, is “helping change the narrative, saying about companies like Walmart, McDonald’s, and others, to the common reader, to the businessperson, ‘Take another look. Let’s see. Let’s reevaluate. Let’s not hang on to what we thought these companies were doing ten years ago or the moment where they had their worst day.’ ” Bakule believes we are reaching a tipping point toward a new kind of corporation.

In a now famous letter to world business leaders, BlackRock’s Larry Fink echoes Bakule. “We’re in a new age of doing business,” he wrote in 2018. “You need to give back. You need to be part of the solution. Society is demanding that companies serve a social purpose.” Sue Reid, vice president of climate and energy at Ceres, a nonprofit organization that cajoles corporations to embrace social purpose, notes “a palpable shift, an increasing momentum, that creates an awful lot of optimism” around corporate promotion of social and environmental values. The activist Tzeporah Berman, who in the 1990s chained herself to trees in British Columbia’s old-growth forests to stop logging companies from cutting them down, says she sees “a new evolution of healthy corporations run by people who are trying to make the world a better place, a real change in the way that corporations are approaching environmental issues and social justice issues.” There’s certainly more work to be done, these and other advocates say. But the "new" corporation is becoming firmly rooted in global society. When, I asked Bakule, would we reach the tipping point and truly enter the new corporation era? "Within the next ten years," he told me.

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Back at Davos, waiting in line for the much-anticipated speech by President Donald Trump, I notice a woman wearing a T-shirt emblazoned with the slogan "Not My President." It's the closest thing I've seen to a protest since arriving here. The woman's name, I learn when I walk over to talk to her, is Anya Schiffrin, a professor at Columbia University's School of International and Public Affairs. I tell Professor Schiffrin that I think she's very brave for wearing the T-shirt, especially since protests are banned in Davos during the WEF meeting (though permitted in Zurich, a hundred miles away). "We have to do something," she says as the man standing next to her nods enthusiastically. That man is fellow Columbia professor and Nobel Prize–winning economist Joseph Stiglitz. He's Professor Schiffrin's husband and also no fan of Donald Trump.

The previous night, I had watched Stiglitz fume against President Trump's economic policies. We were in a dark, low-ceilinged room in the basement of a shabby restaurant on the outskirts of town, attending a reception hosted by the Institute for New Economic Thinking. Crowded with somber-looking economists, the reception felt like a secret meeting of dissident intellectuals (which it kind of was). Stiglitz's speech was followed by equally passionate and worried words from fellow Nobel laureate Michael Spence and then Robert Johnson, president of the institute. Like the other economists in the room, Johnson dismissed the shibboleths most Davos denizens take for granted. When I asked him later about one of those in particular—the "new" corporation—he said it was a diversion, mainly about corporations "pretending what's good for them is good for us." His skepticism made me wonder why he was here. So I asked him. "Davos collects a body of very influential people," he told me. "If you can have influence here, you can have great impact. I think it's worth a try, but I don't come here expecting great success."

From the attention Professor Schiffrin was getting in the Trump speech line, it seemed at least her "Not My President" protest was having success. Which isn't all that surprising. Few among the Davos crowd openly admit to liking Trump. His economic nationalism and xenophobia—not to mention his crude and unsavory character and antics—clash with their enlightened cosmopolitanism. More their style is Prime Minister Trudeau, who had spoken earlier in the week, reciting his usual progressive, feminist, and globalist notions, along with the very Davos idea that (he quoted directly from Larry Fink's letter) corporations need to give back, to be part of the solution, and to serve a social purpose.

Yet Trump, the first sitting American president to address Davos, was the biggest draw of the week, his audience numbers far surpassing those of Trudeau and every other world leader who gave a speech—including Germany's Angela Merkel, the United Kingdom's Theresa May, France's Emmanuel Macron, and India's Narendra Modi.

The queue to get into the auditorium, unusually long and cranky (members of the world superelite don't like waiting in line), began moving slowly after several delays, and we entered the auditorium serenaded by the regal strains of a brass band from the local canton's militia. Once everyone was seated, President Trump, accompanied by Klaus Schwab, strode onto the stage. Seemingly oblivious to the presence of Trump and Schwab, the band played on, and the two men stood awkwardly for a cringingly long time. When the music finally stopped, Schwab stepped to the podium to introduce Trump, who proceeded to rehash (though in more muted tones) his usual, and very un-Davos-like, celebration of greed-driven "America first" capitalism—altogether unsurprising.

What *was* surprising for many was Schwab's introduction. The expectation was that Schwab, the personification of conscientious capitalism, would try to create some distance, albeit diplomatically, between himself and Trump. Instead, he fawned over Trump. "I'm aware that your strong leadership is open to misconceptions and biased interpretations," he said, seeming discombobulated when his words were met with hisses and boos. "So, it is so essential," he continued, his voice becoming louder and a bit shrill, "for us in the room to listen directly to you." And then he said this: "On behalf of the business leaders here in this room, let me particularly congratulate you for the historic tax reform package passed last month, greatly reducing the tax burden of U.S. companies."

Now, to put things in context, Trump's tax bill, which he first promised as a candidate and then pushed through Congress in December 2017, arguably reflects precisely the free- market-on-the-rampage, brakeless-train-wreaking-havoc capitalism that Schwab condemns and works to change. As Stiglitz remarked after Trump's speech—I caught him hurrying along the concourse outside the auditorium, looking angry and energized—the tax bill would gut public funding for, among other things, education, health care, and regulatory enforcement, thereby “distorting the economy” and “undermining prosperity and productivity.” Trump’s 2020 budget plans bear out Stiglitz’s concerns, with projected cuts of trillions of dollars from health care, social services, and education over a ten-year period and deep cuts to environmental protection and other regulatory areas. So why, I asked Stiglitz, would Schwab, who seems to know better, say what he said about Trump’s tax reforms? He paused for a moment, shook his head, and said, “I was shocked by Klaus’s endorsement of the tax bill.”

But Stiglitz shouldn’t have been shocked. To begin with, Schwab didn’t really *endorse* the tax bill. Rather, he congratulated the president, not on his own account but “on behalf of the business leaders here in this room,” for “greatly reducing the tax burden of U.S. companies.” He presumed those business leaders would be happy with Trump’s tax bill, and about that, he was right. As Sandra Navidi told me later, “I have not heard a single businessperson on the record or off say he or she is not happy with the tax reform—even if they’re anti-Trump.”

The tax bill provides a huge windfall to corporations and their shareholders. Jamie Dimon’s JPMorgan Chase saved $5 billion in 2019, for example, part of the $32 billion combined savings of top U.S. banks that resulted directly from Trump’s cuts. And even Dimon, no Trump supporter—indeed, the embodiment of a new corporation leader, who quit a presidential advisory panel in protest of Trump’s refusal to condemn white supremacists in the wake of the Charlottesville violence; and who has boasted he’s smarter than Trump and could beat him in an election—said of the tax bill that “if you want America to be competitive, you need a competitive tax system.”

In that statement, Dimon reflects the views of the business leaders in the room of Trump’s speech, the ones on whose behalf Schwab thanked the president. As a headline and subsequent bullet point on CNBC’s website summed it up: “Often critical of Trump’s rhetoric, CEOs in Davos have to admit they like what they see. Bristling over some of his social rhetoric, CEOs have embraced tax reform and economic policies under Trump.” Indeed, as President Trump’s administration prepared to implement his 2017 tax plan, big corporations—including notable “new” corporations like Coca-Cola, General Electric, and IBM—lobbied intensively, and successfully, for even more cuts, securing new exemptions that reduced to almost nothing their tax liabilities for offshore profits, saving them tens of billions of dollars and allowing some of them, like Google, to abandon elaborate offshore tax-avoidance schemes.

It is therefore not surprising, let alone "shocking," that Schwab would thank Trump for his tax cuts on behalf of business leaders. Nor is it surprising that those business leaders would support Trump's tax bill—even though most of them, like Dimon, are striving to make their companies conscientious and social purpose oriented. It's naïve to expect, or hope, they would oppose tax cuts that gut government's capacity to protect social and environmental values, even the very same values they purport to champion. After all, leaders of the "new" corporation movement—companies like JPMorgan Chase, Apple, Walmart, and General Electric—make a great effort to avoid taxes, whether by squirreling money away in offshore tax havens, concocting complicated subsidiary regimes, or lobbying governments to cut taxes (either on their own or through organizations like the U.S. Chamber of Commerce, which pushed for Trump's tax package and now extols it for "unleashing a new era of growth for the American economy"). Why would these companies suddenly *not* want lower taxes?

And despite their claims to care, they're happy to offload onto others the costs of their profitable tax-reduction strategies. Recently, such costs were horribly on display as death, suffering, and economic hardship followed governments' bungled responses to the coronavirus pandemic. Corporate-driven tax cuts, including Trump's, were part of the reason government action was so woefully inadequate. Those tax cuts led to spending cuts—to health care, hospitals, and emergency preparedness—which in turn led to, among other things, shortages of testing kits, medical supplies, hospital beds, and health-care workers. At the same time, large segments of the population, especially in the United States, went without health care when they became ill because they were uninsured and couldn't afford it. And many were forced to go to work sick because neither employers nor government provided paid leave.

In short, the pandemic painfully reveals how the same tax cuts and avoidance that helped corporations reap record profits over the last few decades also starved governments of the means to protect citizens in the face of a global crisis. It's true that some of those corporations voluntarily provided help—Amazon CEO Jeff Bezos, for example, donated $100 million to food banks (an amount equaling roughly eleven days' worth of his personal earnings)—but it represented a thin sliver of what they saved through tax cuts and avoidance. "If Bezos really wanted to be socially responsible," former secretary of labor Robert Reich told me, "instead of contributing to food banks, he would lobby for higher taxes on himself and all of the other billionaires in America so that we have enough money to provide what everybody in this country really needs." As for those other billionaires, one study reports America's superrich boosted their collective fortune by $248 billion during three of the pandemic's worst weeks. Over that same time, tens of millions of ordinary citizens suffered palpably, many dying, because revenue-starved public systems were inadequate to the task of protecting citizens' health and well-being.

That, along with so much that came before it, starkly reveals the paradox inherent in Schwab's introduction of Trump—that "new" corporations say they care about social and environmental values, yet they don't want to pay taxes to protect and promote those values. The paradox is easily solved, however, if we assume that the ways corporations have changed, though real and significant, are not *fundamental.* Making money for themselves and their shareholders remains their top priority, as it always has been. So while they might care about social and environmental values, they care only *to the point* such caring might cut into profits. Then they stop caring. Paying taxes is a drag on profits, so corporations avoid, evade, and oppose doing so and also cheer, thank, lobby, and help elect politicians, like Donald Trump, who reduce their tax burdens. And as the next chapter shows, the same is true for everything else—while corporations may pursue social and environmental good, they do so only in ways and amounts likely to help them do well, and they continue to do bad when that is the best way for them to do well.

Like any good party, which depends on tacit agreement among participants to keep unseemly truths (jealousies, resentments, and betrayals) tucked beneath a veneer of celebration and conviviality, Davos is vulnerable to the party spoiler—the guy or gal who dredges those unseemly truths to the surface. Donald Trump was the Davos party spoiler. Because he showed up, Schwab had to introduce him. And in introducing him, Schwab had to choose between being honest (disclosing business leaders' affection for the tax bill) and being duplicitous (distancing himself from Trump). To his credit, he chose the former, and the Davos party was spoiled, the curtain pulled back on the Wizard of Davos. Now the unseemly truth was in plain view—

the corporation's mandate is to make money for itself and its shareholders, and it will pursue that mandate relentlessly, and damn the consequences.

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Despite shiny talk of conscientious commitments, corporations embrace social and environmental values to help them make *more* money—not to make less of it. Klaus Schwab acknowledges this. He doesn't say corporations should become good actors because it's the right thing to do, even if it costs them money. He says they should "blend moneymaking and social responsibility" because that's in their "long-term interests"—in other words, their self-interest. Valerie Keller similarly suggests corporations "harness the power of purpose" because that will "drive performance and profitability." John Coyne says sustainability is essential to "grow our business" and thereby deliver returns to "shareholders and other stakeholders." Paul Polman believes corporations will "perform better for…shareholders" if they "create long-term value that sustains human endeavor without harming the stakeholders and broader environment." Bill Gates cajoles corporations to "benefit from doing work that makes more people better off." Michael Porter says his "shared value" "reinforce[s] corporate strategy" and allows corporations to "[reap] the greatest business benefits."

No one says corporations should do good for the sake of doing good. What it's really about, as Bakule describes it, is "aligning self-interest—corporations' business interests—with society's interests—doing well by doing good."

And that's the key concept here, "doing well by doing good"—making money *through* social and environmental values rather than in spite of them. There are many ways corporations do this. They may profit from products that are good for the environment—like Walmart's sale of Earth Friendly Products; Honeywell's "technologies that address some of the world's toughest challenges in…clean energy generation"; Tesla's electric vehicles (and those of most other major automakers). Or they may tap new markets with social and environmental initiatives—like Unilever training rural Pakistani women to be beauticians (creating a new market and sales force for its beauty products); JPMorgan Chase investing in a renewal program in Detroit (creating new clients for its services and new opportunities for its clients); Coca-Cola mounting youth empowerment programs in Brazil's impoverished favelas (creating loyal customers for its products).

Doing good can also build positive reputations that help corporations attract customers, employees, and investors, and thereby "do well." As Daniel Skarlicki says, "If you want to future-proof your business, you have to consider that your customers, employees, and investors are millennials, and millennials are demanding values, they care about social and environmental issues." Positive reputations also help companies gain the blessings of communities where they operate, creating so-called social license to operate, which is especially important for extractive businesses.

Moreover, corporations save money by doing good, in numerous ways. Marriott reduces laundry costs by asking customers to reuse towels to "help save the planet"; Honeywell built a LEED (Leadership in Energy & Environmental Design) gold-certified production plant in Kansas City that uses half the energy of the plant it replaced; Levi Strauss & Company plans to "harvest raw materials from people's closets," as former vice president Michael Kobori described it to me, a sustainability measure that would help the company save money when sourcing fabric for its jeans.

In all these ways (and others too), corporations do well by doing good. Sustainability and social responsibility programs yield tangible economic benefits as well as reputation boosts and marketing angles that enhance corporations' competitive advantage. Shareholder value is maximized, and corporate interests are served. But still, there's the other side of the "doing well by doing good" equation— the "doing good" side. It needs to be asked: How much social and environmental good can corporations actually do in their pursuit of doing well? That is the key question of the next chapter, but for now it bears noting that "doing well" always sets the limit for what, and how much, good a corporation can do. That's a profound limit. And it's one that's dictated by law.

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Corporations are created by law. Through law, groups of shareholders are granted single identities, corporate personhood, which in turn shields them from legal liability for debts and wrongs the businesses they invest in are responsible for. Shareholders are further protected by the "best interests of the corporation" rule, which demands directors and managers always prioritize their interests. That rule results in the corporation having a fundamentally self-interested institutional nature, which significantly constrains what leaders can do when trying to nurture their companies toward goodness. In short, the law *demands* corporations do well, while it *permits* them to do good (but only when that helps them do well).

It would be different, of course, if corporate law were different. And some corporate law scholars say it's changing. Their arguments are rooted in a famous 1930s exchange in the pages of the *Harvard Law Review* between Merrick Dodd and Adolf Berle. Dodd argued the corporation is "an economic institution which has a social service as well as a profit-making function." Berle countered that "all powers granted to a corporation or to the management of a corporation [are] at all times exercisable only for the ratable benefit of the shareholders as their interest appears." Berle won the debate, at least in terms of how corporate law developed over the course of the twentieth century.

More recently, corporate law scholars say the law is shifting toward Dodd's position. Professor Lynn Stout, for example, argues forcefully that U.S. corporate law does not—and should not—demand that shareholder value be prioritized over social and environmental values. Her view is supported by court decisions and legislation in various U.S. states that permit corporate decision-makers to consider nonshareholder interests in determining what is in the "best interests" of their companies. Beyond the United States, more evidence can be found in European corporate law, which tends to be less shareholder driven than its U.S. counterpart, and in Canada, for example, where the Supreme Court recently held that "in considering what is in the best interests of the corporation, directors may look to the interests of, *inter alia,* shareholders, employees, creditors, consumers, governments and the environment to inform their decisions."

These are important shifts, which include "benefit corporations," or B corps (discussed in chapter three). But they fall far short of dethroning shareholder value as the corporation's overarching obligation. Even Professor Stout acknowledges that creating wealth for shareholders remains the corporation's *fundamental* mandate. Shareholders will "tolerate at least *somewhat* diminished returns" in exchange for corporations upholding social and environmental values, she says. But that wording implies they still expect *mainly* undiminished returns—that companies won't pursue those values in ways that *significantly* encroach on their returns.

Indeed, no one seriously suggests corporations are *not* legally required to promote shareholder value. Rather, what they say is that corporations may, and sometimes must, consider nonshareholder interests in determining their own "best interests"; or that they can or should sacrifice short-term share price gains for longer-term shareholder value; or, as Stout suggests, that they can provide *somewhat* diminished returns in exchange for social and environmental good. None of that denies corporations are legally compelled to prioritize self-interest in the form of creating shareholder value, whether in the short or the long term. Reforms may promote better corporate ethics and behavior, but it "would be foolish," as one commentator says of the abovementioned Canadian Supreme Court decision, "to assume directors do not have a primary mandate to ensure a corporation is profitable."

And it really cannot be otherwise in light of the corporation's role in capitalism. The modern corporation was invented in the mid-nineteenth century to help create the large pools of investment capital needed to finance new and growing industrial ventures, like railways, steamship lines, and factories. Everything about its legally created structure is geared to that end. Corporate law is fundamentally *about* capitalism. It's designed to incentivize investment and thereby produce the fuel, capital, that the system needs to operate. To that end, the legal "best interests of the corporation" principle guarantees investors their money will be used for *their* benefit. Without it, they wouldn't invest, and the whole system, not just the corporation but capitalism itself, would grind to a halt. Which is why maximizing shareholder value—by prioritizing profit, growth, and competitive advantage—will always be the corporation's overarching mandate, at least in capitalist systems.

Corporations can still pursue social and environmental goals, of course, but only ever in ways that serve their "best interests." New corporation leaders know this. They're not naïve, nor are they outlaws. "Doing well by doing good [is] the current corporate consensus," as the *Financial Times* reports. No business leader is ready to abandon "doing well"; nor, legally, are they permitted to. The "new" corporation movement suggests only that "doing well" be understood and practiced in broader and more nuanced ways. "Many people say it's all about shareholder value, and I agree with that," Lord Browne told me. "But shareholder value is not just about extrapolating today's revenue and today's profits. It's about all the costs and all the risks." Still, with "doing well" the corporation's primary goal, and that being legally required, the earlier question posed—How much social and environmental good can corporations really do?—truly needs an answer.

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Before getting to that answer, one final point must be made: it's crucial while pursuing it to stay focused on the corporation *as an institution,* on how its legal structure compels the people who run companies to do what they do. Those people, as is true in all institutions—churches, universities, governments, unions, schools, and the military, to name a few—are varied and retain diverse viewpoints about how to do their jobs and about life in general. Some may genuinely want to steer their companies in directions that promote social and environmental values, while others less so, and still others (though increasingly few) not at all. Some may personally believe in the corporate values that frame their work, while others may not, embracing different, and even contradictory, values outside their corporate jobs. What all have in common, however, despite all these differences, is that when they go to work, they're bound by the institutional imperatives of the corporations they work for.

Moreover, while those institutional imperatives are essentially the same for all corporations, different understandings and ways of operationalizing them result in different cultures at different companies. Just as the people who work for corporations differ the one from the next, so too do corporations themselves. Some are robustly committed to social and environmental values, while others less so. But their common institutional makeup imposes limits on how different they can be.

In previous attempts to explain this, I've resorted to ice hockey as an analogy, and it's helpful to do so again here. Ice hockey is a violent game, combining high speed, hard surfaces, and intense physical contact. The game's rules and structure encourage levels of violent behavior that outside the game—at work or at the mall, for example—would result in criminal prosecution. Yet hockey players are not necessarily violent people. They become violent when they're on the ice because that's what the game demands of them. And even when they're on the ice, they're not equally violent. Some are pugnacious players, fighting, slashing, and checking hard, while others rely on superior skating and puck-handling skills. Moreover, what's true of players is true of teams—some teams, as a whole, play a more violent game, others less so. Yet despite all these differences, hockey is hockey. It has a set structure and rules that determine what teams can, cannot, and must do when they're on the ice.

The same is true for the corporation. Despite all the differences that exist among corporations, as well as among those who run them, corporations are still corporations. Like hockey teams, they all play by the same rules, and those rules profoundly shape and limit their decisions and actions. And just as we can intelligibly assess the game of hockey as a whole—claiming, for example, that it is by nature a violent game—so too can we intelligibly analyze the corporation as an institution.