

State of Corporations -

The rise of illegitimate power and the threat to democracy Susan George

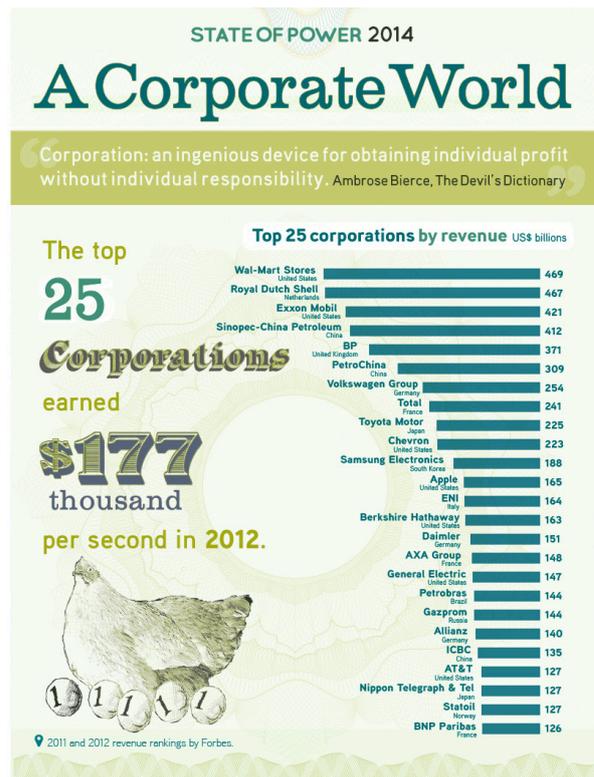
A few years ago a book concerned with the “state of power” would probably have been mostly confined to or at least centred on the State and its more dominant attributes such as the military, its control over vital resources or its currency. In the present context one would doubtless want to add “its capacity to spy on other powers” – but this is not the sort of I intend to discuss here.

Rather, I will focus on power unaccompanied by accountability of any kind; that which is not required to report to anyone concerning its activities and which, being difficult to understand, is equally difficult to counter. This is why the other half of the title is “the threat to democracy”. Legitimacy depends on democracy—otherwise all forms of power, where government is concerned, are merely variations on the theme of oppression whether called tyranny, dictatorship, or autocracy. The subtlety of illegitimate power makes it hard to identify. It does not have a name as such, does not stem from official decisions and is not often felt as oppression by those who submit to it, knowingly or not.

Illegitimate power, in the sense I will use it here, excludes tyrannies, dictatorships, one-party authoritarian States, African satrapies *et alia*. It concerns the power of the largest corporations and here I prefer the United Nations formulation of “transnational” or TNC to “multinational” or MNC. When you arrive at the upper reaches of the corporation, the CEO, the COO or the CFO, the director of R&D, the Board of Directors, these companies far more often than not have an identifiable nationality and although they may have subsidiaries in dozens of places they do not by any means give

equal weight to the interests of each of those places. Furthermore, as we shall see, groups of companies from, say, the United States and European countries or Europe as a whole come together to obtain results they perceive as being in their collective interest. “Obtaining results” includes political results and the capacity to obtain them from governments is inexorably growing. This, to me, implies a serious breakdown of democracy.

So I shall first make a few quick distinctions concerning what is legitimate and democratic on the one hand and, on the other, illegitimate and undemocratic in



government, now often called—and for good reason--“governance”.¹

Second, I'll state my hypothesis : I believe the evidence shows that illegitimate authority is on the rise and that democracy is gradually succumbing to the disease of neoliberal ideology so that more and more functions of legitimate government are being assumed by illegitimate, unelected, opaque agents and organisations. This is the case at all levels, national, regional and international.

Finally and most importantly, I will supply elements of proof and provide examples in support of this argument. The list of examples is ever-growing and could be much longer than the one here but I hope to show nonetheless that illegitimate, corporate rule now occupies greater and greater space at every level of government including the international sphere, that it is gravely damaging democracy and that it has an impact on our countries and our lives, especially if we live in the Western democracies.²

What makes power legitimate?

Here is a legitimacy checklist I think most people living in democratically run countries would accept. The hallmarks of legitimate power are free and fair elections, constitutional government, the rule of law, equality before the law; separation of executive, legislative and judicial powers, checks and balances to prevent any one part of government from becoming too powerful, the separation of church and state. Coupled with such provisions is the never-completed, always expanding list of individual and collective rights and freedoms as first set out in the *French Declaration of the Rights of Man and the Citizen* of 1789 and the *Bill of Rights* of 1791 made up of the first ten Amendments to the Constitution of the United States of America.

Freedom of opinion, speech, worship, the press and so on...All these ideas were once considered revolutionary, even when they were woefully incomplete--slavery still existed, women and minorities could not vote or exercise many rights and so on. But the notions of individual rights and governments that guarantee them are part of the movement of the *Enlightenment*.

In the 18th century, the ideas and the defenders of the enlightenment included not just the notion of rights and freedoms but also duties and norms of conduct for individual citizens. They defended rational and scientific thought against dogma and superstition and invented totally new concepts such as collective progress and individual *happiness*.³

Truly equal rights are not yet wholly achieved for women, for migrants, or sexual and racial minorities but despite all the horrors of the past couple of centuries, the setbacks and the imperfections, democracy and Enlightenment values still seem to me and to millions of others the best and most admirable form of government ever attempted. Proof of this is that other (not necessarily Western) people want the same things for themselves and are willing to fight and die to achieve democracy.

Why defend this model?

I believe we must preserve and improve the democratic, Enlightenment model and I'll now try to explain why I believe it is in grave danger posed by illegitimate power. Over the past three or four decades a new set of values has gradually taken front and centre stage, along with a great many changes for the worse in government.

Now standing against the Enlightenment model is *a new ideology of selfishness and cruelty* we can call the neoliberal model. It has been steadily gaining ground despite overwhelming proof that it is harmful to nearly everyone, except for the extremely wealthy and for the top people in the corporate sector. I honestly did not believe it could emerge even stronger after the financial earthquake which struck in 2007-2008 and with whose aftermaths we are still living. But this is what has happened.

This model has been thoroughly discredited—discredited intellectually, practically and morally. Yet neoliberalism has still triumphed and is continuing to cause huge shifts of power in favour of the richest and most powerful classes and corporations.

Inequalities have markedly increased. In Europe, the shares of economic value going to capital and labour have shifted drastically. In the late 1970s, the share of value going to labour in the form of wages and salaries was in Europe about 70 per cent of GDP. The remaining thirty per cent went to capital in dividends, rents and profits. Now capital receives at least 40 per cent of GDP, in some countries more and labour gets only 60 per cent. Corporate shareholders used to be content with dividends representing a return of 3 or 4 per cent a year; now they demand 12 per cent and more. The former goal of building a strong, healthy and lasting business enterprise well integrated into the community has been replaced by the single imperative of “shareholder value”. Nearly all business decisions are directed to that end, which encourages short-termism, asset stripping, mass layoffs and many other negative phenomena.

If salaried people have lost ten points of GDP, this is not small change! The GDP of Europe is about \$13

trillion per annum, so European working people are now missing out on some \$1.300 billion (\$1.3 trillion) a year compared to the 1970s. When workers are paid, their incomes go overwhelmingly into the purchase of goods and services—which keeps the economy ticking over. Now we have high unemployment and the wages of those who do have work are stagnant and sometimes falling, particularly in Southern Europe and even for a good part of the German working class.

Capital on the other hand is reinvested, very often in the purchase of financial products which create no social value, have little or nothing to do with the real economy and can, as we have all too recently seen, bring that real economy to its knees.

Neoliberal doctrine

Just as I provided a “legitimacy checklist” for democracy, here is one for the illegitimate governance of the neoliberal model and its defenders:

Markets are wise and efficient; they tell citizens, businesses and governments what the public wants and needs; they should be allowed to function independently and kept as free as possible (ideally entirely free) of government regulations and interventions. Markets are by definition “self-regulating” and in the neoliberal vocabulary, **regulations** are “job killers”, **trade unionists** are “thugs” who want to prevent newcomers and of course foreigners from finding work. **Privatisation** of public services is desirable because private enterprise always out-performs public services on criteria of efficiency, quality, availability and price. **Free trade** may have temporary drawbacks for some but will ultimately serve the entire population well with more and better jobs and greater wealth. Both tariff and non-tariff barriers to trade and to foreign direct investment should be removed. **Government spending** is intrinsically bad (except for certain budgets such as defence and national security) and should be confined to a minimum. Government debt and government budget deficits must be got rid of as soon as possible, if necessary by imposing austerity measures on the population.

Austerity programmes are based on these beliefs. In moral terms, neo-liberalism is selfish and cruel, even anti-human. In the US, a Tennessee Republican Congressman voted to eliminate food stamps with the words, “Those who refuse to work shall not eat”, ignoring the lack of jobs available for those trying to find work. In the EU, a fully developed offensive against the welfare State is underway with the goal of clawing back all the gains of working people over the past six or seven decades. For

neoliberals, every aspect of the welfare State is abhorrent because it consists in taking resources from the rich—those who supposedly created the wealth—and giving that wealth to those who do not deserve it. The rich owe nothing to the poor.

Nor do the rich owe anything to nature. In the neoliberal canon, nature per se creates no value, nor does labour. Both are there to be exploited by corporate entities and only investors (i.e. “shareholders”) and the people at the top are value creators.

The corporate offensive from A to – well – not quite Z

Now for proof—or at least examples--of the increasing control of illegitimate power. It is exercised through corporate money, of course, but also through increasingly sophisticated organisation and professionalism. There are many levels of the expression of this power: we may start this quick overview with the simplest, the ancestor of corporate influence, i.e. common or garden lobbying. This practice takes its name from the lobby of the House of Commons where men with special interests, and often stuffed envelopes, would wait to waylay and buttonhole the arriving or departing MPs.

After a couple of centuries of practice, these non-elected people have become familiar, far more knowledgeable and quasi-legitimate actors on the fringes of government. Their offices occupy whole neighbourhoods in Washington (K Street) and the EU quarter in Brussels. Often they have come through the “revolving door” and after a career in politics know better than anyone who to approach and how to change the minds of Commissioners or legislators.

They’ve improved their techniques, are paid more than ever and they get results. Lobbying pays off. A survey by the Sunlight Foundation in the US showed that American corporations that had invested in lobbying paid proportionally less in taxes than those that had not. In the US, they must at least declare themselves in a Congressional register and report how much they’re paid and by whom.

In Brussels, however, there’s only a “voluntary” register--a joke considering that fifteen to twenty thousand lobbyists haunt the EU premises and are talking non-stop every day to Commission personnel and Euro-parliamentarians. A few East European parliamentarians were conned by British tabloid reporters into taking bribes in exchange for votes and duly exposed to the reading public. They left under a cloud.

The Parliament, judiciously concerned to preserve

its reputation, asked their President Martin Schulz to set up a working group charged with reforming the wholly inadequate European transparency register. This group was duly formed in mid-2012, after which nothing further happened. The transparency group's singular lack of progress became more transparent in turn when, in October 2013, the German weekly *Der Spiegel* revealed that the group's chairman, German Christian Democrat MEP Rainer Wieland, was a lobbyist on the side, as a partner in a Brussels law firm. Modern European lobbying isn't just PR—Brussels is also overrun by law firms grinding out favourable draft legislation and legal strategies for their commercial clients and these firms have proven particularly loath to register. Little wonder Wieland did nothing to change their minds.

Two German Green MEPs, Rebecca Harms and Daniel Cohn Bendit, once more wrote to Schulz to point out that the "revelations that [Wieland] is involved with a firm lobbying on EU policy make his continuation as chair of a working group on lobbying transparency completely untenable..." We'll see--this saga is on-going.

Little by little, however, the dubious, not to say ludicrous manoeuvring of the Commission and the member States is being exposed and the shroud of secrecy over lobbying activities is showing some wear and tear. Even among those firms that have registered, some have since been shown to be under-reporting their real activities and earnings by a factor of ten. As the French say, "Le ridicule tue"—looking ridiculous is death, and one hopes that the registry will soon cease to be the laughing stock of the continent.

The lobbying or "public relations" industry grew exponentially after World War II and now has experts in defending the interests of all industrial sectors, including junk food, genetically manipulated crops, harmful products like tobacco, dangerous chemicals or dicey pharmaceuticals, the biggest greenhouse gas emitters and the financial industry. Their mission is clear: write new legislation; hold up or eliminate any legislation that might be counter to those interests.⁴

Less known perhaps than the lobbies for individual TNCs are the proliferating industry-wide "institutes", "foundations", "centres" or "councils", for various classes of products, often based in Washington D.C. but sometimes operating world-wide. They too defend alcohol, tobacco, junk food, chemicals, pharmaceuticals, greenhouse gas emitters and so on, but go about it differently, often using ideological weapons. They employ tame scientists, who never declare any conflict of interest, to write "studies" or popular articles aimed at creating doubt in the public's mind about even the best established scientific facts. They claim that there

is "debate" around certain scientific issues when in fact there is none—or only that created out of thin air by the lobbyists themselves.

They set up fake "grass-roots" or "citizens" groups to defend their products or ideas and pretend that the consumer's "freedom to choose" is being infringed by the "nanny State" that wants to make people's decisions for them. They have launched petitions and collected signatures to defend or reject a policy; on closer examination, the signatures turn out to be those of corporate employees whose jobs depend on agreeing. They use scare-mongering techniques such as "this legislation will increase costs for business and lead to higher prices and/or unemployment". They are also expert in framing the issues so that they can be passed off as legitimate "news" when in fact they are propaganda operations. One must take care to find out who funds a seemingly benign and legitimate institution before believing anything it says and this is not a simple task for the ordinary citizen.

Creating doubt in the public mind is usually sufficient to reach their ends. The Center for Consumer Freedom under the direction of the accomplished PR guru Richard Berman was able to put off controls on smoking in public places for years. Berman has also defended the alcoholic beverage and junk food industries as well as preparing anti-union campaigns for large corporations. The climate-change denialists use the same tactics. One of their organisations funded by the petroleum and motor industries even announced on their site after the failure of the UN Copenhagen climate conference in 2009 that they were disbanding, considering that they had accomplished their purpose. And in many ways they have—there is far less media coverage and, at least in the United States, less public concern about climate change than before 2009.

The triumph of banks and financial services

From the mid-1990s, the largest American banking, securities, insurance and accounting TNCs joined forces and, employing 3000 people, spent \$5 billion to get rid of all the New Deal laws passed under the Roosevelt administration in the 1930s—the very laws that had protected the American economy for over sixty years. Through this collective lobbying push, they won total freedom to remove any money-losing assets from their balance-sheets and move them into "shadow" banks that appeared nowhere on their balance sheets. They became free to create and trade hundreds of billions worth of

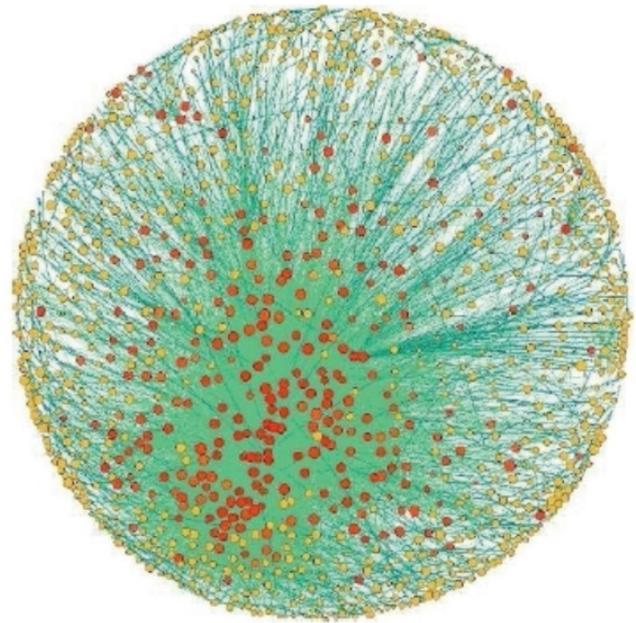
toxic derivative products, such as bundles of sub-prime mortgages, with no regulation whatever.

The consequences, as everyone knows, have been devastating. But democracy has been absent and supplied no solutions. For example, since 2007, close to ten million families have had their homes repossessed in the United States. They know well enough that the bank or the mortgage company took their house and put them out on the street-- but most have no idea how the crisis actually came about—or why Congress did nothing to prevent it or to alleviate it after the fact. Congressmen and women did prepare several bills that could have helped people to stay in their homes but none of these proposals became law. Nor, it must be said, was there any collective organisation for the defence of the newly homeless that could have forced action.

Or take the case of CalPERS—the California public employees' pension fund which lost more than a billion dollars of working peoples' contributions because it invested in toxic securities sold on the market by the major banks. Was this a case of poor investment decisions on the part of the Fund managers? Not at all: by statute they could only invest in securities with AAA ratings, supposed to be the safest of the safe. Private ratings agencies are paid by the issuers of the securities to supply ratings and the CalPERS lawsuit is against Standard and Poor's, one of the big three agencies—the other two are Moody's and Fitch. Together, these agencies stamped hundreds of many toxic and eventually worthless securities with AAAs and were paid to do so.

This pension fund (later joined by the Attorney General of the State of California) blames S&P for "fraudulent ratings" but up to now, the lower (district) US courts have ruled that the ratings agencies were merely "expressing an opinion" on the value of these securities and "freedom of opinion" is protected by the First Amendment to the US Constitution, part of the Bill of Rights, 1791. In other words, corporations have acquired the rights of persons—this predates the ratings agencies lawsuit. Aside from the banks contributing nothing to the costs of their own bailouts, the ratings agencies, themselves profit-making transnational corporations, have paid no compensation to their victims.

Little or nothing has been done since the fall of Lehman Brothers to re-regulate finance and meanwhile, derivatives trading has reached \$2,300,000,000,000 *per day*, a third more than before the crisis. Foreign exchange hyper-fast "flash trading" entirely driven by computers and algorithms is up by 50 per cent over the level prior to the crisis. The laissez-faire attitude to the finance industry is stoking the fires for the next crisis and we can accurately predict that it will be still worse than the last.



Source: Vitali S, Glattfelder JB, Battiston S (2011) The Network of Global Corporate Control.

We have, in fact, mathematical proof that the worst is yet to come and that the corporations are at this very moment nurturing the next crisis. Three mathematicians specialising in complexity theory at the Zurich Polytechnic Institute have published a remarkable study called "The Network of Global Corporate Control" which maps thousands of TNCs according to their connections to other TNCs. Beginning with a data base of 43,000 corporations, they progressively refine the ownership connections, upstream and downstream, to highlight the most interconnected companies, arriving at a "core" of 147 companies that control 40 per cent of the economic value of the entire sample. Their map looks like an astronomical night-sky map with dim galaxies and bright stars but also some supernovae with connecting lines to dozens of other stars on the map—to be in "the core", a company must have at least twenty connections.

The shocking conclusion of these mathematicians⁵ is to be found in the Annex to their paper which lists the 50 most interconnected companies that embody what they call the "knife-edge property". Close interconnectedness means, in fact, "prone to systemic risk" and this in turn means that "While in good times, the network is seemingly robust, in bad times, firms go into distress simultaneously". Of the 50 most interconnected and therefore most risk-prone companies on their list, 48 are banks, hedge funds or other financial services corporations.

The European corporate mafia

Back in Brussels, dozens of “expert committees” made up of top TNC personnel, with virtually no consumer, environmental or watch-dog organisations participation, are meeting daily with Commission officials. They are tasked with drawing up detailed legislation in every conceivable policy area. In the crucial area of trade, the Corporate Europe Observatory has shown that the preparation of the US-Europe “Transatlantic Trade and Investment Partnership” involved

“at least 119 behind-closed-door meeting with large corporations and their lobby groups [but] has had only a handful with trade unions and consumer groups. When negotiations were announced in February 2013, not a single such meeting with public interest groups had taken place, compared to dozens with business lobbyists”.

Such news, as revealed in internal documents obtained through recourse to the EU’s complicated access-to-information rules is in stark contrast to what the Commission claims in its public “fact sheets”. A sample: “The views of civil society play a crucial role” in EU trade negotiations. That is true only if “civil society” is considered to be almost exclusively limited to business interests.

Above the status of the myriad “expert groups”, although similar, is the **International Accounting Standards Board** (IASB), surely unknown to 99 per cent of the European population and that of its other member countries. When the EU was first confronted with enlargement and the nightmare of 27 different stock-exchanges and a wide variety of regulatory and accounting rules, it called on an *ad hoc* group of advisors from the big four transnational accounting firms for help.

Over the following years, this group quietly morphed into an official agency, the IASB, still made up of talent from the big four but now making the rules for 66 member countries, including the whole of Europe as well as Australia. The IASB became official through the efforts of one unelected EU Commissioner, Charlie MacCreevy, a neoliberal Irishman, himself a chartered accountant. It involved no parliamentary review. If anybody thought to ask, they were told that the agency was “purely technical”. And indeed, what could be more boring and technical than accounting rules and practices?

Why should we care?

We should care because unless and until we can oblige the transnational corporations to adopt “country-by-country” reporting, they will continue to pay—usually

quite legally—minimal taxes in most of the countries where they have branches. They can place their profits in low or no-tax jurisdictions and their losses in high-tax ones. At present, if they so choose, they can report simply on the home country where they have their headquarters and then “rest of world”.

But to tax effectively, fiscal authorities need to know the sales, number of employees, profits and taxes in each jurisdiction. Today, they cannot, because the rules are tailor-made for avoiding disclosure. Small, national businesses and families with a fixed national address will continue to bear most of the tax burden or simply do without the State services that fair taxation of TNCs could have provided. Virtually everywhere, these companies are free riders—the police and the fire department protect their property, the local schools and hospitals educate and care for their personnel who can come to the factory or office via public transport or public roads—none of which the company contributes to—or far less than its fair share.

I contacted the IASB to ask if country-by-country reporting was anywhere on their agenda and received a polite reply that it was not. No wonder. The big four firms whose friends and colleagues make the rules would lose millions in revenue if they could no longer advise their clients on how best to avoid taxation. Ordinary citizens will continue to bear the tax burden. Tax havens where according to reliable estimates some \$32 trillion is stashed by wealthy individuals and corporations will continue to flourish.

Law beyond borders

Much law is now made beyond national borders and, in the international sphere, much of this law concerns ways to allow corporations greater scope and freedom. A large number of new trade treaties are allowing TNCs to infiltrate executive, legislative and even judicial State functions. Even the United Nations is now a TNC target—and welcomes their presence.

Treaties are an important source of law and theoretically outrank national law, including national Constitutions, although there is a great deal of leeway for the more powerful countries. The United States ignores a good share of international law including International Labour Office conventions. Europe invents and ratifies treaties with dizzying speed, leaving no time or place for citizens to debate much less vote on them by referendum. In July 2013, negotiations began on the Transatlantic Trade and Investment Partnership, or TTIP. This agreement will make most of the rules governing

nearly half the world's GDP—the US plus Europe—and has been in preparation since 1995 when the largest TNCs from both sides of the ocean joined in the Trans-Atlantic Business Dialogue (TABD) to hammer out all the practical regulatory issues, sector by sector.

Other important contributors to the TTIP are the Chambers of Commerce and, in Europe, the European Roundtable of Industrialists (ERT) which includes about 50 corporate leaders, all at the CEO level. As Peter Sutherland, a former EU Commissioner, former World Trade Organisation Director and ex-director of British Petroleum and Goldman Sachs has said, the ERT is “more than a lobby group. Each member of ERT has access at the highest levels of government”. At the request of European governments, the ERT contributes heavily to their agendas. Negotiators are now working from the corporate blueprint which the TABD, the ERT and their American counterparts have supplied.

Transatlantic trade is worth about \$2 billion a day but with the exceptions of the food and automotive industries, there is little to negotiate where tariffs are concerned—these average a mere three percent. The goal is instead to privatise as many public services as possible and to eliminate non-tariff barriers, that is, regulations which the TNCs refer to as “trade irritants”.

The Trans-Atlantic Business Dialogue that prepared the treaty text (which has been kept secret) later changed its name to the Transatlantic Economic Council and describes its job as “reducing regulations to empower the private sector”. This is indeed what the TTIP is all about: it aims to reduce and place ceilings on government regulation in all areas, it insists on airtight investor protection and will encourage privatisation of public services. It calls itself a “political body” and its director proudly declares that this is the first time “the private sector [has] held an official role in determining EU/US public policy”.

This Treaty, if it is approved by 2015 according to the TNC plan, will include changes to regulations covering safety of food, pharmaceuticals, chemicals and so on. It will have the final say on financial stability proposals and give freedom to investors to remove their capital without notice. It can block proposals for new taxes such as the financial transaction tax and reduce government capacity to deal with climate security, for example by imposing higher standards on polluting industries. Governments will be forbidden to give preference to national over foreign companies for procurement contracts (a significant portion of any modern economy). The entire negotiating process will take place behind closed doors, with no input from citizens.

Central to all trade and investment treaties today is

the clause which allows corporations to sue sovereign governments if the company chooses to claim that a government measure will harm its present, or even its “expected” profits.

The number of “investor to State” disputes arising from the TTIP, if it passes, of course remains to be seen. However, under the terms of the hundreds of bilateral investment treaties already ratified, more than 560 cases have already been brought by corporations against governments, including 62 new cases in 2012 alone. At least a third of the corporate claimants are demanding \$100 million or more in compensation. There is no reciprocity, that is, governments cannot sue corporations if they cause damage or harm to the public or to public property. These cases are not judged in national courts but by special arbitration tribunals with lawyers and judges recruited from top private law firms, mostly British and American. Lawyers charge on average \$1000 an hour and arbitrators \$3000 a day. So far, the majority of cases has been decided in favour of the companies, more than a third have assigned awards of more than \$100 million, and the awards are necessarily supplied by taxpayers of the country.

The United Nations

The UN now has a special section for corporations called the “Global Compact” founded about fifteen years ago by Kofi Annan and the then President of Nestle. To become a member, a company need only sign on for fifteen principles in the areas of human or labour rights and the environment. Although they are supposed to supply progress reports, the UN never monitors them. It does ensure, however, that a high-level representative of each of the major UN agencies such as FAO, WHO, UNESCO and so on is assigned to coordinate and facilitate interaction with the companies.

The corporations that belong to the Global Compact, plus the members of the World Business Council for Sustainable Development and various other business associations or Chambers of Commerce, were massively present at the UN's jamboree environmental conference Rio+20 in the summer of 2012. According to some reports, they virtually took over the proceedings. Business formed the largest delegation and staged the largest event, known, appropriately enough, as “Business Day”. Here the Permanent Representative of the International Chamber of Commerce to the United Nations (yes, like a country's permanent representative) declared to thunderous applause, “We are (...) the largest business delegation ever to attend a UN Conference...Business

needs to take the lead and we are taking the lead". The TNCs are now demanding a formal role in UN Climate negotiations.

That agenda seems to be progressing nicely, thank you. The November 2013 UN Climate Conference in Warsaw was ostentatiously plastered with the logos of many fossil fuel and mining companies, as well as those of Emirates airline, vehicle powerhouses General Motors and BMW: COP 19 or Conference of the Parties was the first ever to seek out and welcome corporate sponsorship. Possibly because 80 to 90 percent of Poland's energy comes from coal, the unsubtle Polish government seized the occasion to host a parallel conference of the World Coal Association. Here the top UN Climate Conference official Christiana Figueres gave a keynote speech. Well done, TNCs!

Who governs today?

Democratic legitimacy implies popular sovereignty, otherwise known as the consent of the governed. The people are supposed to be the ultimate arbiters: they need not only elected representatives but must also possess the right and capacity to say "No" as well as "Yes" to government policies.

It is not exactly news that governments have always governed on behalf of certain class interests but this is different from allowing those interests to actually write the legislation and to make policy directly, including budgetary, financial, labour, social and environmental policy in the place of elected legislators and civil servants. It is different from allowing private corporations deliberately to disseminate deception and lies and undermine the public's right to know.

It is also different from allowing such interests to replace the established judiciary with ad hoc courts in areas such as trade dispute arbitration, even in jurisdictions where the justice system is known to be fair and independent. And there seems no way under present law to prevent such executive bodies as the European Commission, impermeable to all democratic process, from making policy directly contrary to the wishes of the great majority of European citizens, at least according to what one can learn from opinion polls.

How are the people to remain, or become, sovereign if they are in no position even to identify who, or what, is making the decisions that affect their lives? Democracy has in no way kept up with the pace of globalisation; whether nationally or internationally, authority is exercised without the consent of the governed. The people are given few tools to understand who is actually

running what. Corporations exercise power without corresponding responsibility. Whereas voters can sanction governments and throw them out of office, corporations are not only beyond popular reach through votes but collect egregious privileges such as "personhood" in the USA or full status in the United Nations.

It's not just their size, their enormous wealth and assets that make the TNCs dangerous to democracy. It's also their concentration, their capacity to influence, and often infiltrate, governments and their ability to act as a genuine international social class in order to defend their commercial interests against the common good. They share a common language, a common ideology and common ambitions that touch us all.

At whatever level they operate, the overall goals of those seeking to exercise illegitimate authority are not simply to earn higher profits, although the bottom line remains paramount. They are also seeking (1) paradoxically to provide a new kind of legitimacy for the alternative system they are putting in place, run entirely by themselves and (2) to demolish such notions as the public interest, public service, the welfare State and the common good in favour of higher corporate gains in terms of both money and power and rules tailored for corporate purposes. They may ultimately replace "of, by and for the people" with "of, by and for the TNCs". Citizens who value democracy ignore them at their peril.

- 1 "Governance in old English or old French concerned one's personal conduct, the governance of one's behaviour, children, household, etc. The word got adopted by business in the 1970s in the phrase "corporate governance" and has gained ground ever since. The European Commission consistently uses "governance" as if it were the same thing as government. As one wit has put it, "Governance is the art of governing without government".
- 2 A good case exists for examining the legitimacy/illegitimacy of such institutions as the International Monetary Fund, the European Central Bank and the European Commission, that have now come together in the so-called Troika and are imposing harsh and counterproductive austerity policies on many European countries but that would be beyond the scope—and the allotted length—of this contribution.
- 3 Thomas Jefferson who wrote most of the Declaration of Independence included the phrase "life, liberty and the pursuit of happiness". He also wrote that it was to "preserve such values that men instituted government". The French revolutionary figure Saint-Just is well known for saying "Happiness is a new idea in Europe". This strange and original idea was at the core of the struggle for collective as well as individual rights and emancipation.
- 4 The Corporate Europe Observatory, frequently a partner of TNI in many endeavours, has chronicled the doings of lobbyists for years—consult their site at www.corporateeurope.org for many good—though not usually edifying—stories
- 5 Citation: Vitali S, Glattfelder JB, Battiston S (2011) The Network of Global Corporate Control. PLoS ONE 6(10): e25995. doi:10.1371/journal.pone.0025995 [published by the Public Library of Science-PloS 1, 26 October 2011