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Corporate Subversion of Social Justice Initiatives on Food and Agriculture

Alfred Wong[1]

Alan Hallsworth[2]

Abstract

The founding basis of a modern business corporation is its legal requirement to generate profit for its shareholders, by whatever means possible. It follows that external consequences of its action have no meaning in the corporate lexicon. This profit-centric mission has inevitably resulted in corporate behaviour which resembles many traits of a psychopathic human being. Since 1980s, the founding principle of the modern corporation was further entrenched and expanded with changes, as free-market ideology gains ascendancy in politics. There are few remedies available to rectify this increasing societal problem.

Keywords: agriculture, corporation, ethics, food supply, psychopathy, social justice, trade

[1] Friends of Aboriginal Health, P.O. Box 34173, Vancouver V6J 4N1, Canada. Email: taiping@aboriginalhealth.net

[2] University of Portsmouth, Portsmouth, UK

"Human psychopaths are notorious for their ability to use charm as a mask to their dangerously self-obsessed personalities. For corporations, social responsibility may play the same role. Through it they can present themselves as compassionate and concerned about others, when, in fact, they lack the ability to care about anyone or anything but themselves".

- J. Bakan, The Corporation, 2004. p. 57

"I put for a general inclination of all mankind, a perpetual and restless desire of power after power, that ceaseth only in death".

- Thomas Hobbes (Leviathan) 1651. Chapter 11

Introduction

The present philosophical basis of free-market economics is the relentless drive of a business to increase profit. Any adverse effect on the society at large is generally considered to be a surmountable obstacle in the pursuit of greater corporate profit. To date, the relationship between corporate imperatives and social justice initiatives undertaken by people at large is largely unexplored.

Six decades ago, Friedman (1962) expounded that any professed justification for profound social or environmental responsibility by any corporation is just nonsensical deception. In essence, the only social responsibility of a modern corporation is to increase its profit (Friedman, 1970). Despite a preponderance of literature to justify the conceptual appropriateness of corporate social responsibility (see for example, Smith, 2003; Fontaine et al., 2006; Broomhill, 2007; Chen, 2007), it still seems that the operation of a modern-day corporation can only follow the pathway of profit maximization using all means available (Carr, 1968).

According to free-market proponents, there should be few – ideally, no - laws governing (syn., restraining) the pursuit of profit by private enterprises (Fieser, 1996). Interestingly, however, during the recent global economic downturn, failed corporations1 have been clamouring governments to intervene with virtually open-ended financial support. This shameless volte-face would obviously be in direct contradiction to the principles of free-market economics as enunciated by Freidman and others.

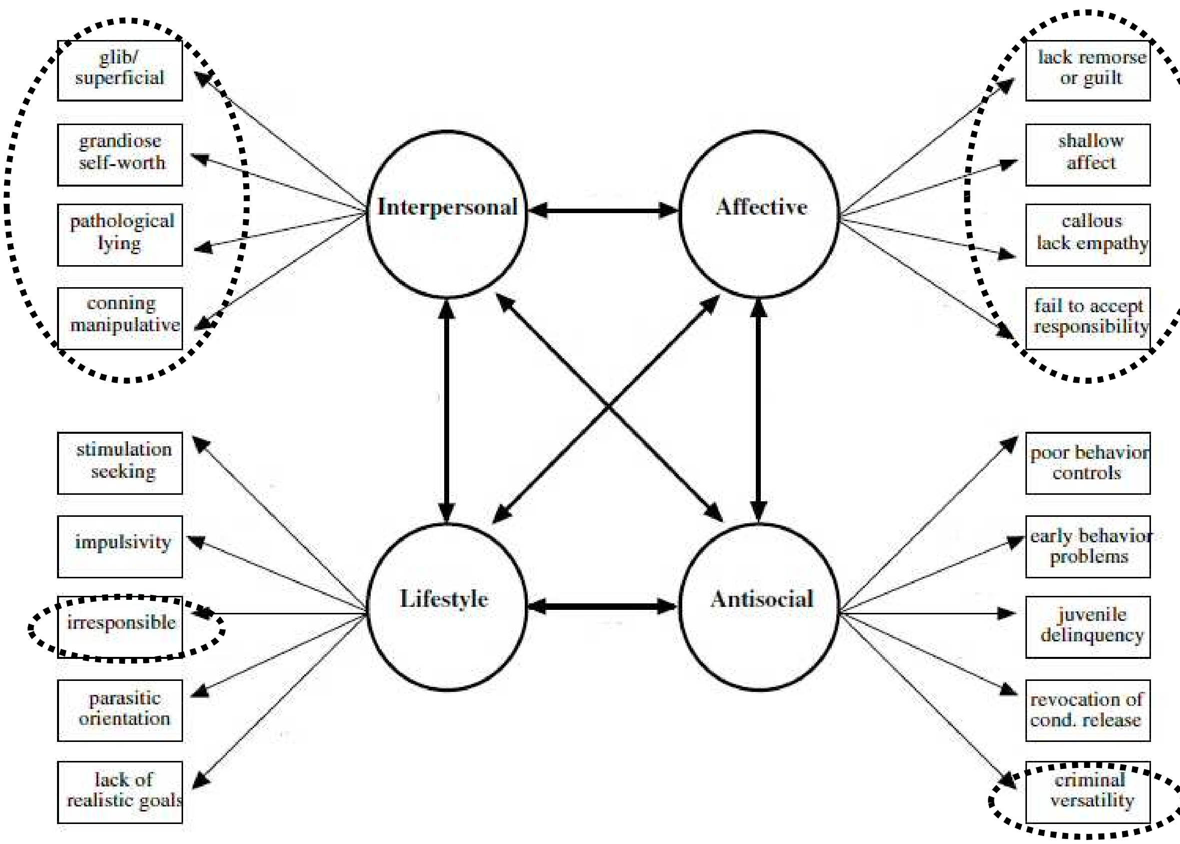
Anatomy of the modern corporation

In order to fully appreciate the spectrum of modern-day of corporate behaviour, one has to first examine the foundation of the modern corporation. A business corporation is deemed by law to be a "person" in most countries. According to Bakan (2004) profit-centric behaviour, particularly that of large trans-national corporations, during the past century manifests itself as that of a psychopath, by the common clinical definitions for humans. The psychopathy of corporations has been suggested to be a self-containing behaviour. In other words, the behaviour of people running the companies is essentially segregated from the behaviour of the whole corporation. However, Babiak et al. (2010) have commented recently that corporate professionals also possess many psychopathic traits of the corporation employer. This finding was perhaps not surprising as corporations require people with certain predisposed psychopathic personalities for their focused efficient operations to increase profit. This demand is analogous to the required personality traits of a professional soldier who is trained to kill another human being unflinchingly on command (Fraser, 2012).

Figure 1 illustrates some of the psychopathic traits [highlighted in dotted circles] for business corporations. It is interesting to note that with increasing power and influence of big corporations in the society at large, governments have become complicit in the aid of the practices of big businesses. In essence, governments have assumed many of the psychopathic traits of modern transnational business corporations.

Corporate directors have legal duties to pursue profit for the sole benefits of the shareholders of the corporation. No variance of this requirement is allowed. In such a world, corporations would undertake what appear to be environmental/ social justice activities, if and only if, such activities would increase the profitability of the corporation, particularly in the shortest possible time frame.

Figure 1. Psychopathy checklist for business corporations



Source: Adapted from Bakan, 2004; Hare and Neumann, 2008.

The corollary is that it makes absolutely no difference in corporate behaviour with the placement of a woman instead of a man, or a black person instead of a white person in the chief executive position. The person in charge will take whatever action, ruthless if necessary, is required to achieve the corporate goal of increasing profit (See, for example, LMN, 2010; Kollewe, 2012). The obsessive lament in popular news media overshadows the availability of equal opportunity to be a psychopath in the pursuit of corporate profit.

It is generally recognized that agri-business corporations could not act alone in their profit-driven pursuits, in the absence of acquiescence of governments at home and abroad. As corporations become larger, their influence on consumers and public policies increases substantially (Burt and Sparks, 2003; Anon. 2012; Monbiot, 2012).

A business corporation is empowered by law as enacted by governments to fulfil its only mandate: to maximize economic returns for its current shareholders and no others (Bakan, 2004). The drive to greater profitability is relentless (Schroeder, 2003; Harris, 2012). Business ethics is indeed an oxymoron.

Corporate practices

Novel consumer demand can be created to serve the corporate interest in congruence with the corporation mandate to generate more profit. Researches have shown that consumer needs and preferences can, and are being, shaped ubiquitously by corporations (See for example, Klein, 1999; Hauge, 2007). There is also a prevalent view that consumer preference is driving corporate behaviour (See for example, Gehlhar and Regmi, 2005). This proposition appears to be somewhat weak as the origin of most consumer preferences may be traced in many instances to purposeful corporate design. In this pursuit, corporations have been actively seeking to develop a supply-chain system with producers in low-income producing countries. Ostensibly, such “benevolent“ corporate undertakings are claimed to help in lifting the people in low-income countries out of poverty (See for example, Stokke, 2009; Reardon et al., 2009; Lee et al., 2012; Michelson et al., 2012). In reality, the supply chain system locks farmers into a semi-feudal system of supply under the never-ending imperative of “driving down the cost”. In many instances, the suppliers are under enormous pressure to adopt extreme cost-cutting measures such as eliminating safe working conditions, using sub-standard raw materials, etc., to save its supply contract with transnational corporations. Such supply-chain management practices are also prevalent in North America and Western Europe.

Targeting children to increase corporate profit may be considered to be immoral (Bakan, 2011). Considerable money is also being made in the misery of people suffering in natural and un-natural disasters (Klein, 2007). There is essentially no moral restraint involved in the continuance and expansion of such ubiquitous practices in the free-market economy (Sandel, 2012).

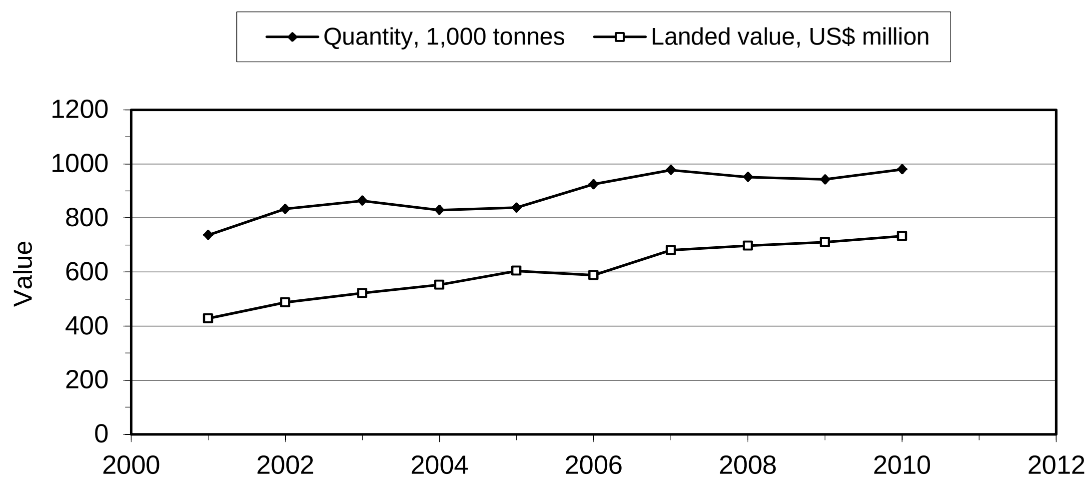
Example of subversion

Because of the imperative to increase profit, corporations will strive to reach this goal by direct and indirect manipulative means. Direct manipulation could be described as one in which additional profit is extracted on the basis of existing distribution and retail infrastructure. Indirect manipulation is depicted by corporate action to influence the purchasing behaviour of the consumer to result in paying higher prices per unit of goods and/or buying large quantities at same or lower unit price. The case of Fairtrade bananas is a notable example of corporate subversion of social justice initiatives.

The UK is one of the largest importers of bananas in Europe. Figure 2 shows the import trade to be largely steady during the past 2 decades. Until 2007, Costa Rica was the largest supplier, with a market share of about 20%. Colombia has since became the largest supplier of bananas to the UK. During the “banana war” of the past decade, Central and South American exporters have been delivering bananas competitively to the UK despite the imposition of a significant 17% import tariff. With the recent ending the 20-year old banana trade war between the USA and the EU (Lamont, 2011), the importation of bananas from Central and South American producers could be expected to increase with the progressive reduction of the import tariff annually.

The founding concept of “Fairtrade” food products was driven by socially-concerned citizens interested to provide higher incomes for small-scale independent producers in low-income countries, especially those in former “Africa, Caribbean and Pacific - ACP” colonies (Fairtrade, 2012). The three most popular “Fairtrade” foods sold in the UK are bananas, coffee beans and chocolates.

Figure 2. Historical pattern of UK importation of bananas.



Source: FAOSTAT, 2012

The banana trade is used to illustrate the issue of corporate subversion of the social justice goal to afford equitable distribution of economic benefits. As shown in Table 1, Scenario “A” illustrates the distortion of wealth distribution as exemplified by the very small net benefit to the banana grower in Ecuador. Scenario “B” is the actually pricing distribution as re-constructed from data reported by Smith (2010. Note that the intermediaries, viz., trading companies and supermarkets, exploit the mark-up availability in the offering of “Fairtrade” bananas in the framework of heightened public interest in helping small-scale independent farmers in distant Ecuador.

Table 1. Analysis of distribution of earnings of £1 retail value of 1 kg of bananas.

	A	B	C	**D**
Type	Generic Ecuador (Morazán, 2010)	Fairtrade (Smith, 2010)	Ideal Fairtrade, without extraordinary margins for distributors and retailers	**Fairtrade 2** (This work)
Plantation workers	2 p	4 p (a)	4 p	2 p
Plantation owner	10 p	20 p (b)	10 p	10 p
International trading company	31 p	64 p (b)	31 p	31 p
Ripener/Distributor	17 p	35 p (b)	17 p	17 p
Retailer	40 p	82 p (b)	40 p	40 p
Retail value	100 p	205 p (c)	102 p	100 p
"Donation box" outside the supermarket	0 p	0 p	0 p	**10 p**

Notes: 100% higher pay under the "Fairtrade" regime (Smith, 2010).

Calculated from normalized Fairtrade banana price, by applying the "same % margin" as reported for generic bananas (Morazán, 2010).

Normalized from ASDA offer of August 2, 2009: £0.84 per kilogram for loose bananas, and £1.72 per kilogram for Fairtrade bananas as reported by Smith (2010). The farm gate price (i.e., plantation workers + plantation owner) of 24 p per kilogram of Fairtrade bananas was suggested in Table 44 by Smith (2010).

There is no inherent additional cost in the handing of "Fairtrade" bananas by the producers at source. The ocean shipping of bananas in refrigerated containers from Ecuador to the UK, and the subsequent ripening of bananas in the UK are identical to the distribution protocols of Scenario "A". For the retailers, there should be no extra cost incurred as the receipt of bananas at the store loading dock and placement of bananas on the store shelves are identical to those of generic bananas. It may be noted that the heightened public interest in "Fairtrade" bananas has itself been delivered at essentially no cost to the retailers by charity-funded "Fairtrade" advocates. The only incremental shelf-edge price would be an extra 2 pence per kg, as given in Scenario "C". It is difficult to overcome this problem of price exploitation in view of the ubiquitous psychopathic pursuit of greater profit by corporations using whatever means available. Such conduct of distributors and retailers is NOT illegal. In fact, this practice is considered to be normal. Under such circumstances, it would certainly be more effective in assisting the small-scale independent banana growers by contributing directly 10 pence into the "donation box". In this fashion, the exploitative profit reaped unjustly by the banana-trade intermediaries could be stopped. Note that in the proposed "Fairtrade 2" regime, the worker's pay would be 12 p per kilogram, about 600% higher than the traditional Fairtrade plan! Perhaps a few pence per kg would need to be set aside to buy the cooperation of retailers in the setting up of these proposed donation boxes.

Table 2 illustrates the current differentials in the retail price of bananas among four representative major supermarkets in the UK. The marginal difference in pricing does not guarantee the delivery of the margin to the banana producer-workers, in view of the calculations given in Table 1. In fact, Fairtrade activities may continue to permit exploitation of banana workers (Levitt, 2012). It should however be noted that the variation in pricing could be due to the situation that Fairtrade bananas are often sold to the public only in pre-packaged form. This approach allows the retailer to manipulate the weight of the bananas offered. The retailer buys bananas by weight from the wholesaler. Discounted prices of Fairtrade bananas as offered by different retailers might be a temporal situation in which "soon-to-perish" bananas are sold off quickly.

Table 2. Comparative retail prices of selected grades of bananas offered in major UK supermarkets on October 18, 2012.

£/kg*	Grade	ASDA www.asda.com	Sainsburys www.sainsburys.co.uk	Tesco www.tesco.com	Waitrose www.waitrose.com
Loose	Standard	0.68	0.68	0.68	0.68
Packaged	Fairtrade	0.84 - 1.12	---	---	1.20 - 1.60
		1.27 - 1.70 (a)	---	---	1.53 - 2.05 (b)
	Standard	---	---	0.99 – 1.32	---

* Weight of bananas packaged in plastic bags was calculated on the basis of average 6-8 bananas per kg = 125 to 167 grams per banana.

Outside of the "Fairtrade" initiative, other produce imported into the EU has the same wealth distribution characteristics. Nicholson and Young (2012) have reported that workers received about 4% of the retail price of Costa Rican pineapples sold in the UK in 2010. Table 3 shows the nominal price structure of vegetables imported from Africa into the EU. If the same percentage distribution figures as those described by Morazán (2010) for banana trade were applied, the vegetable farm workers in Kenya and Zimbabwe would receive less than 2% of the final retail price of the produce sold in the EU. It is evident that there is no equitable economics in this modality of EU trade of fresh vegetables. What it does reflect is where the power lies in the supply chain.

Table 3. Example pricing structures for EU vegetable imports from Africa

Stage of the supply chain	**Mangetout from Zimbabwe**	**Fresh vegetables from Kenya**
Producer	11.9%	14.1%
Trading company (from farm gate to supermarket door)	42.2%	40.4%
Supermarket mark-up	45.9%	45.5%
Total retail at the point of sale	100.0%	100.0%

Source: Adapted from DAI, 2007.

Concluding remarks

Neither subversion nor exploitation of people-oriented social justice initiatives is unlawful. In Bakan's (2004) interpretation, practises which may appear to outsiders as morally reprehensible can be interpreted to be normal in the context of the underlying psychopathy of the modern corporation. The legal architecture of the modern corporation embodies short-term, profit-seeking mandatory practices which are fundamentally opposed to the long-term social, environmental and economic well-being of citizens at large. Corporations are driven to pursue ever-greater profit relentlessly by whatever means available, including bribery, coercion and extortion. This, in large part, explains why they prefer stable political regimes that tolerate powerful oligopolies. It is to be expected that any social justice initiatives which do not increase corporate profit would be undermined actively by corporations at large. Direct actions by consumers including boycotts and public 'naming and shaming', and vocal appeals to elected representatives to enact restraints on the current unfettered capitalism might be only a partial remedy of this problem.

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