

**STATEMENT OF NORTHEAST OHIO AMERICAN FRIENDS SERVICE
COMMITTEE (AFSC) IN RESPONSE TO PRESIDENT BUSH'S SPEECH ON
CORPORATE FRAUD AND MISMANAGEMENT**

President Bush's speech today in New York City on corporate fraud and mismanagement should have been less about restoring investor confidence in the market and more about citizen control over corporations.

The recent financial scandals involving the Enron, Arthur Anderson, Tyco, and WorldCom corporations are the direct and inevitable result of corporations that have grown beyond the reach of citizen authority to define these human-created institutions.

President Bush proposed minimal punitive and regulatory changes ignore underlying legal and political problems that have given business corporations the power to govern themselves and shape public policies.

The President proposals may minimally increase prosecutions of corporate executives who have misled investors. This "few bad apples" approach, however, totally ignores the fundamental changes needed to a corporate system that is rotten to the core.

Two bold sets of responses are needed to these horrendous corporate crimes totaling billions of dollars that have cost tens of thousands of citizens their retirement savings and thousands of employees their jobs.

The first set of response, more immediate, is to punish corporate criminals. This should include new federal laws which increase the ability to prosecute CEOs and board members with more severe penalties. It should also include the exercise by state officials (since corporations in the United States are chartered at the state level) to seize the assets of these law breaking corporations and distribute them to those who have suffered hardship by these financial debacles.

The second set of responses, more long-term, is to reassert public control over the corporate form through changes in the corporate code in all 50 states. Such changes at the state level would be consistent with how corporations were once publicly defined and controlled. In Ohio, like in many other states, corporations were once rigidly defined by the state legislature through the chartering process. Corporations were chartered one-at-a-time, for specific purpose, and limited periods of time. Corporations couldn't own other corporations and were forbidden to fund any political campaigns or candidates. Corporate books were public. Liability of investors were limited, if they existed at all.

The other more long-term change needed is to reverse the legal doctrine in this nation which equates corporations with "persons." Due to a US Supreme Court decision in 1886 (with three Ohioans on the high court at the time), corporations are considered legal "persons" with the same due process and equal protection rights as human beings. This legal doctrine has allowed corporations to run roughshod over previously-enacted laws meant to keep these legal fictions subordinate to human persons. This legal doctrine must be changed.

In a just world, the created is never greater than their creator. In our world, corporations created by human endeavor are devouring their creators.

As a Quaker social action organization, AFSC works to affirm the dignity and worth of every human person, regardless of race, ethnicity, nationality, creed, gender, physical ability or sexual

orientation. This affirmation does not, however, include corporations which possess no conscience, and no ability to feel compassion, pain or remorse

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The Northeast Ohio American Friends Service Committee (www.AFSC.net), a Quaker social action organization which works on issues of justice, peace, sustainability and democracy. AFSC has focused for the past 8 years on the relationship between democracy and corporations in Ohio. AFSC staffperson Greg Coleridge is principal author of the booklet *Citizens over Corporations*, a legal history of corporations and democracy in Ohio. He is also on the national board of the Program on Corporations, Law and Democracy (POCLAD -- www.poclad.org)