

Good example of critical thinking on democracy in corporate america

[Business](#), [Company](#)



Reflection on Bogle (2007)'s Democracy in Corporate America

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Bogle (2007) reflects on the nature of democracy in corporate America. By making a reference from the James Madison's statement, since C. E. Os and other senior company executives are not angels, they are supposed to be subjected to adequate checks to make sure that they improve both the price of the corporate share and the corporate long term value. He notes that since there have been no influential checks from the stockowners, managers and directors have been left with excessive powers and discretions. These have been reflected in way they have been engineering financial statements so that they can get larger perquisites. He locates the origin of these tendencies from capitalism and proposes that just as any government of a republic needs separation of powers to control excesses of the executive, firms should have independent auditors and accountants(as judiciary), directors (as legislature) and managers (as executives) (Bogle, 2007).

It is agreeable with the Bogle (2007)'s article that more efforts are needed concerning corporate democracy so that there can be transparency. In this way, C. E. Os powers will be capped so that there is no excessive capitalistic urge to earn hugely; this increases the CEO-to-worker wage ratios and therefore serious income inequalities. As Bogle (2007) adds, no one should expect the C. E. O. or other senior executives to be angels as nobody would have expected giants like Enron, WorldCom and Tyco to fall in the grave. The CEO's urge of financial engineering and therefore self overcompensation should be expected; this calls for a sound governance of the large corporations, through democracy. It is necessary because from the lesson

learnt from the last recession, corporate managements with unchecked powers speculated about a rise in the prices of their portfolios without considering the long-term value of their firm. This went on to result in disastrous price boom-blast scenarios in their markets.

For transparency and democracy to be successful, it is agreeable that there should be separation of powers. In this regard, since the shareholder is the owner of the firm, he should have uncontested powers to elect a trusted director (as a legislator) to make sure that the C. E. O carries out responsibilities with which he was entrusted. There should be express agreements that both he and the directors honor his wishes and just like the former can be sacked the latter can be recalled. Stake-owners can demand the right to withhold any election of new officials until separation of powers is assured. The voters (shareholders) must make the two categories assured about the vote against their poisonous proposals and packages. They can also pass a legislation that requires one to receive a majority vote to become a director. Nonetheless, accountants and auditors should act in the interest of stock owners as “ judges”. In this regard, they must not provide any consulting services or receive any fees for them (Bogle, 2007).

Although there are skeptics asserting that a C. E. O needs excessive powers to manipulate the firm’s variables to determine greater performances, this has not been proofed ultimately true, and still, it will be glorifying him as an angel. What matters is transparency, and democracy is one powerful way to ensure it. Since the C. E. O is just an employee, he should adhere to the responsibilities of his employees and not aspire to be an emperor even if the business itself grows to be an empire. Any extra effort that brings super

earnings and other performances can be compensated reasonably as per the agreement. Positive checks and therefore transparency will ensure that the executives do not rush to take home unreasonable packages, while the economy, the company and the shareholder's value of portfolio slump. Moreover, values of stocks will be real and therefore the firm cannot shake because of price bubble-burst. Nevertheless, no corporate money will be wasted in sponsoring politics and bribing congressmen, senators and employee union leaders, to go slow or pass proposal that are favorable to them (Bogle, 2007).

Reference

Bogle, J. C. (2007). *Democracy in Corporate America*. Daedalus Summer. Cambridge MA: American Academy of Arts & Sciences.