Book Reviews

The Vanishing American Corporation: Navigating the Hazards of a New Economy, by Gerald F. Davis. Oakland, CA: Berrett-Koehler Publishers, 2016. 222 pp. ISBN: 978-1-62656-279-0

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The history of business in the United States has always been one of rapid and, occasionally, radical change. This constant flux has led the chroniclers of American business to produce classic books at each decisive turning point. More significantly, these periodic transformations have had profound impacts, for both good and ill, on the American people as workers, consumers, investors, and citizens. Books that herald a "new economy" offer potentially valuable guidance, not only on how to avoid the hazards of disruptive change but also on how to take advantage of the emerging possibilities.

One candidate for a classic book of the present day is *The Vanishing American Corporation: Navigating the Hazards of a New Economy*, by Gerald F. Davis. The starting point for Davis's analysis is the startling fact that the number of publicly held corporations in the US fell from a recent-history high of 7,322 in 1996 to less than half that figure, 3,659, in 2015. This sharp drop suggests a dramatic disappearance of the massive, dominating industrial behemoths that once produced the bulk of consumer products and employed vast swaths of the workforce. Many large, vigorous corporations remain and even continue to grow, but the declining numbers reflect the increasing prevalence and importance of alternative forms of business organization, which appear to be better suited for the present-day business environment. "The major claim of this book," Davis writes, "is that the public corporation fit well with the requirements of doing business in the 20th century, but it is an increasingly bad fit for 21st-century business" (16-17).

One question, of course, is whether the corporation is indeed vanishing. By "corporation" Davis means a publicly held corporation whose stock is listed and thus is actively traded on an exchange. This definition excludes closely held or privately held corporations, in which investors hold non-tradable shares, as well as sole proprietorships, franchises, partnerships, or limited liability companies (LLCs), all of which have long comprised a good part of the American economy. Despite the undeniable importance of listed, publicly held corporations, Davis's claim that, "For almost the entire 20th century, public corporations such as AT&T and General Motors controlled the bulk of economic activity in America," is exaggerated (9).

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General Motors today employs approximately 200,000 people, but this number is surely exceeded by the total employment of the company's more than 20,000 independent dealerships, not to mention the company's immense network of small suppliers. Similarly, the employment in McDonald's franchise restaurants certainly exceeds the number of people directly employed by the corporation. Education and health care, which are largely the province of nonprofits and government, are major employers and providers of economic goods and services in the American economy.

Still, listed, publicly held corporations have been highly visible and influential presences in the American economy, but their decline in numbers tells only part of the story. We also need to ask about the corporate share of the workforce and the percentage contribution to the gross domestic product. Have there been declines in total corporate revenues, in corporate earnings or profits, and in market capitalization? When two corporations merge or one acquires another, the total number drops by one but the size of the corporate sector remains unchanged, barring any subsequent downsizing. The number of listed, publicly held corporations is also reduced when a company is taken private or is acquired by a private equity firm, although in such cases the workers employed, the consumers served, and the communities benefited may scarcely note the ownership change. Governance forms alone tell us little about the overall economic impact of business in society.

Davis is not particularly concerned with documenting that the publicly held corporation is vanishing. His aim is rather to examine the other side of the equation: the expansion of new, alternative forms of business organization and the consequences of these changes for individuals and society. Even if the familiar iconic corporation will endure, it has many challengers today as a business organizational form. Furthermore, the forces that have created these new possibilities have greatly impacted existing corporations. If Google, for example, is the paradigmatic twenty-first-century corporation, equivalent to General Motors in the twentieth, it is, nevertheless, a very different kind of company. More importantly, the businesses in these new forms significantly impact workers, consumers, investors, and citizens in ways that differ from the traditional corporation. What's new about the "new economy" that Davis describes is not the increasing number of companies in new organizational forms but the changes that have taken place in *all* American businesses, Google included, regardless of corporate form.

The changes that Davis identifies are exemplified by two companies, Nike and Uber, whose names yield the abstract nouns "Nikefication" and "Uberization." Nike is an exemplar, as well as the originator of, the "virtual corporation," in which production is outsourced to low-cost contractors, mostly in developing countries, while the main profit-generating activities, design and marketing in this case, are retained by the firm. Uber, with a few thousand employees, provides a web-based platform through which, in 2015, more than 300,000 active "driver-partners" in the US alone earned freelance income.

If Nikefication and Uberization represent the future of the American economy, many questions arise: What factors led to the rise of these new organizational forms and the consequent decline of the familiar large corporation? More importantly, what are the impacts of these changes on the nature of work and on American society? If

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a future shaped by Nikefication and Uberization is a dystopian vision, as Davis seems to think, then how can individual workers prepare themselves to survive and maybe even prosper in this new economy? And how can we as citizens preserve and perhaps enhance the quality of life that was provided, in part, by now-vanished corporations?

The main causes of the changes Davis identifies are the familiar forces of technology and globalization. These major developments enable new forms of organization through such factors as a lowering of barriers to entry and a decline in the value of economies of scale. Davis observes that such factors make possible "pop-up" businesses, since anyone with a credit card and an internet connection can start a new enterprise and obtain the necessary resources for rapid expansion. With somewhat less plausibility, Davis lays considerable blame on Wall Street, with its insistence on increasing shareholder value and the power as exercised of shareholder activism and hostile takeovers. In a whole chapter on the (perhaps temporary) lull in initial public offerings, Davis finds cause for concern in the use of this device, not to raise additional capital but to enable founders to cash out. However, this exiting role of IPOs, or outright sales, is an expected step in the development of start-ups in a robust entrepreneurial economy, especially when initial venture capital is so readily available.

The most intriguing parts of the book discuss the impact of changing organizational forms on the nature of work and on social welfare. Whereas the large corporation of the last century provided secure employment and benefits, with on-the-job training that typically led to advancement, work in an Uberized economy is apt to be a succession of temporary jobs that lead in no particular direction. With increased mobility, workers have moved from lifelong careers with a single company to jobs with multiple employers, and now many people's work consists of performing one-time tasks through, say, TaskRabbit or Amazon's Mechanical Turk. This progression from *careers* to *jobs* to *tasks* has the potential to turn all workers into "micro-entrepreneurs" wholly reliant on their own resources and bereft of the protections and opportunities provided in the past by a large corporation.

More significant than the impact on the nature of work have been the social consequences of the vanishing corporation. The social safety net that American corporations once provided, especially with regard to health care and pensions, has been fraying since the 1980s. In addition to a vital social safety net, the large corporation of the mid-twentieth century offered secure, often lifetime employment with well-defined career paths for many workers. The plethora of well-paying jobs with good benefits and advancement opportunities supported a large, comfortable middle class and a relatively egalitarian society. In contrast to critics of the large corporations in the past century, Davis sees problems not in their growth but in their collapse, which has produced the threefold social ills of a disappearing safety net, rising inequality, and declining upward mobility.

Davis recognizes that the uniquely American, yet unsustainable and weakening corporate-based social welfare system has been long in coming and is due to many forces. The corporations that provided the benefits Davis values began retreating in the 1970s, and the "vanishing" that he highlights is less a cause than itself a consequence

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of powerful, long-term trends, most notably globalization and technology. Indeed, Davis acknowledges that the larger context of his analysis is what other writers have characterized as the third industrial revolution.

Amidst this profound development of a "new economy," Davis sees some promising prospects. He finds a future built on Uberization a truly dystopian vision, but the same "platform capitalism" that enables Uber offers the possibility of business organizations in the twenty-first century that are more local and community-based, more democratic and people-oriented, and environmentally more sustainable. What will determine whether the future is the nightmarish Uber economy or a utopian-ish local, democratic, sustainable economy? What can individuals as workers, consumers, investors, and citizens do to ensure the more desirable outcome? Unfortunately, Davis offers little guidance beyond a vague mention of "political movements" and a platitudinous recommendation for young people to acquire a sound liberal education, combined perhaps with a bit of coding skills.

The Vanishing American Corporation poses at least two challenges for business ethics. First, teaching and research in the field seems aimed mostly at the traditional large corporation with regard to ethical issues in employment, manufacturing, marketing, investment, governance, social responsibility, and sustainability. The ethical problems of outsourcing to contract factories through Nikefication have been extensively addressed, but little work has been done about possible ethical issues in a "gig economy" raised by Uberization. Attention might be given to court cases that question whether Uber drivers or McDonald's franchise workers are employees of their corporate overseers and thus are covered by employee-protection laws. Second, how might the field of business ethics contribute to the development of strategies for shaping the direction of the future economy from a dystopian Uberized economy to the promise that Davis sees in a more local, democratic, sustainable economy? A constructive response to this challenge by business ethicists might be the most enduring contribution of this important and timely book.