



Rules Change:  
Resetting the Playing Field for  
Corporations, People and Democracy

**A SUMMIT CONFERENCE, May 3-5, 2013**

<http://www.ruleschange.org> / University of Massachusetts-Amherst

SELECTED EXCERPTS  
FROM REMARKS AT A RECEPTION  
PRIOR TO HEDRICK SMITH SPEECH  
Friday, May 3, 2013  
University of Massachusetts, Amherst, Mass.

Remarks at the reception preceding the speech by Hedrick Smith. Reception took place on the 11<sup>th</sup> floor Marriott Center of the Murray D. Lincoln Campus Center.

AUDIO AT::

<https://www.dropbox.com/s/v7tlycqy16ac9bd/rc-FRI-reception-05-03-13.mp3>

**Excerpts from remarks fo U.S. Rep. James P. McGovern, D-Mass.:**

Corporations are artificial entities that we the people have created and as such we can govern the rules as to how they exist. That shouldn't be a radical idea. That shouldn't be controversial. Yet, because of a string of bad Supreme Court decisions, any kind of a weak attempt in Congress to push back is becoming accepted.

We need to empower people. It should be the most popular thing in the world for Democrats or Republicans to go around the country saying, 'We want to give you the people more power and more say in your government.'

I hope you end it with a few concrete assignments. Assignments for me. Assignments for you. Assignments for other people, too.

Challenge ourselves to do better. What can we do to bring this debate up a notch? Can we do it city by city? What's the right language to use so we don't scare people off?

**Excerpt of remarks of Dr. Michael Hannahan, director of the UMass Donahue Institute Civic Initiative and professor of political science, UMass-Amherst:**

All of us in this room probably agree with each other. Our challenge here is how to communicate to someone else . . . Our [political] enemies are not stupid or evil. What we need to do in a meeting like this is come up with arguments that change peoples minds or win elections. Because without persuasion or power it doesn't matter. What do the people we don't agree with think? The purpose of a university is to get us to think about people we don't agree with.

**Excerpt of remarks of University of Massachusetts Amherst Chancellor Dr. Kumble R. Subbaswamy:**

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I was curious about why this time Congressman McGovern was coming to campus and I looked at it and I was hooked. Why don't our students know more about this? How can they become more engaged in civic action? They come here with so much enthusiasm, so much energy and so much innocence, if you will. They think they can change the world, and they can and so we need to engage more of them in this kind of thinking. Citizens United in particular has somehow receded into the background as if it is impossible to change anything. So I was intrigued by that and I said 'I want to come.' This was established as a land-grant campus in this state, so social justice, access, affordability, serving the public come naturally to us. We're considered a progressive campus. Lots of good causes have started here and thrived here. Thank-you, congressman, for bringing this to us.

**Excerpt of remarks of Bill Baue, Rules Change Summit co-convenor, comparing the rules of Ultimate Frisbee to changing rules of America's economy and business practices:**

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"Ultimate Frisbee is self-refereed. So watching these 15- and 16-year-old girls negotiate over what the outcome will be – they are empowering themselves in that they are working collaboratively to come up with a solution. I think that's a great lens to look at the notion of rules change. What are the rules of the game and are they creating the outcomes that we want.? And if they aren't, we are empowered to change those rules to create the outcomes we want."



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<https://www.dropbox.com/s/gf7ejkyeu9bujpi/rc-hedrick-smith-rules-change-lecture-05-03-13.mp3>

INTRODUCTORY REMARK BY U.S. REP. JAMES P. McGOVERN, D-MASS.:

“Nothing good happens in this world unless like-minded people come together and demand change. ... I am really grateful you are here because this is the beginning of a movement.”

**EDITED EXCERPTS OF HEDRICK SMITH’S TALK**  
**(direct quotes where noted)**

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“I want to say how happy I am to be at a conference where you're talking about rules change. Because one of the themes of my book, *Who stole the American Dream*, is that we have been through 30 years of rules changes and they have been headed in the wrong direction.”

In 1980, 84% of the people in companies with more than 100 employees had lifetime pension plans.

(401k) plans were another large theft of money, the security that people could count on as they got older.

It hit me that we had become in fact two Americas, not one America, divided by money, power and ideology. That was pretty clear. How did we go from shared prosperity to this two Americas, this vast inequality of wealth. Middle class stuck, the economy stuck, from reasonably effective bipartisan politics. Maybe it's the parties' faulty.

Toynbee looked at 21 civilizations over 6,000 years. “The schisms in the soul of a society” the schisms in the body politic. The challenge from side. Greece and Rome declined because of their “inability to deal with internal schisms.” For the Greeks, it was fratricidal warfare over internal trade. Caesar's assassination revealed internal conflicts in Rome.

I believe that our greatest challenges from today are challenges from within and that's why I believe the rules changes you are thinking about are so important.

The rules got change in politics and the rules got changed in economics.

From 1945 to the mid-1970s there was shared prosperity. The leaders of Americas great corporations believed it was their responsibility to share the wealth, to support the interests of the various stakeholders in the corporation. If you're going to think about rules changes you better think about stakeholders. By stakeholders they meant the groups that have a take in the survival and the success of the corporation. It

obviously meant the shareholders, managers, the workers --- they also meant the workers, the suppliers, the creditors, they meant the customers, they meant the communities they worked in. All of those groups have a stake in the survival of the corporation. They used words like sacred trust.

We're talking about the ethos of the business leadership of America. We're not talking about socialism, we're not talking about communism, we're not talking about some other country. And we're not talking about two centuries ago. We're talking about 30 or 40 years ago in American history. Within the lifetimes of a lot of people in this room. Maybe everybody.

It is ordinary consumers that are the driving force. Economists call it the virtuous circle of growth. If you pay people well and they go out and shop, that creates robust consumer demand, which causes production to go up. New factories to be built, no equipment to be bought, new equipment to be hired.

About recessions: It was 19-20 months. 1991 to 1993 – 26 months. 2001-2003 – 46 months, 2008- to question mark. We're already 49 months in. Maybe 65-70 months. Twenty to 26 to 46 to 65. It says there is something structurally wrong. It does need a rules change. It isn't just the results of the last election.

What's going on that's bigger is the wealth is not going to the middle class and the middle class is not sharing it into the economy. There's something going on that's bigger here. What's going on that's bigger is the wealth in America is not being shared with the middle class and the middle class is not driving the economy. So if want to think about rules changes that are sensible, they not only will accord with your feelings of social justice, they will also accord with smart economics.

That earlier period of middle-class prosperity is very interesting for you because it is accompanied by and supported by a period of middle-class exercise of political and economic power. Very important to rules change.

Earth Day 1970 – 20 million people on the streets and on college campuses. Shopping malls, talkathons on the air. The 1970s spawn popular, middle-class movements: Environmental movement, women's equality, consumer safety, civil rights and labor rights. Rachel Carson, Silent Spring, Ralph Nader, Unsafe at Any Speed.

The stealing of the secure possibility of a slightly rising life and a better future for your kids. "It's not a complicated notion but very difficult to do it today in America."

When we had 92 and 77% tax rates we had annual growth in America of 3 or 4 percent a year, with high tax rates. With the lowest tax rates of the last 70 years we had the lowest growth rate in seventy years. There is no connection, ladies and gentlemen, between the marginal tax rate and the rate of growth." The track record simply does not support those assertions.

So I'm putting all these things together thinking this is crazy, the rules changes going on -- the tax rates coming down for the top. At the bottom, the payroll tax rate is doubled. The tax rate that every single average work pay goes from 3.5 percent in 1980 to 7.65 percent by the year 2000.

The tax rates at the bottom are coming up, the tax rates at the top are coming down. \$10.60 an hour to be at 1968 levels. to get to relationship between minimum wage and average wage.

"So what I'm saying is the power shift that occurred in the late 1970s and early 1980s affected all the policy rules in general that have been adopted since then. That have affected the economic outcomes we are looking at."

He says Ralph Nader told Smith: "What we need in the center and on the left is a simple victory." Nader's simplest issue: Do a significant increase in the minimum wage.

Lots the other issues around Wall Street are tough to parse.

The power shifted, the policy shifted, and it has had an enormous impact.  
"We went from stakeholder capitalism to shareholder capitalism."

Milton Friedman: Maximize the return to the shareholder.

"I think we've got to learn from the 60s and the 70s. We've got to be in the same frame of mind that John Lewis was in. We've got to be in the same frame of mind that Rosa Parks was in when she wouldn't move to the back of the bus. We gotta to be in the same frame of mind that the people were in on Aug. 28, 1963. Do you know what that date is? That was the date of the March on Washington."

200,000 showed up and were there. It was one of the greatest days of my reporting life, it was one of the greatest days of my life as an American citizen. It was a festival of democracy. It was free people, feeling as though that was their city and they could walk on those wonderful grassy lawns on the mall, lounge under the trees next to the reflecting pool, look up to that famous statue of Lincoln ... and then hear that magnificent speech by ... Martin Luther King.

He also said some thing that has stuck with me since and it doesn't get quoted as much. We have come here today to cash a promissory note from American democracy ... that all men and women are entitled to life, liberty and the pursuit of happiness. ... an enormous sense of anguish, hope and idealism.

"And what really worries me about America today is not just the unfairness, not just the inequality, not just the division. But the terrible fear that we've lost our hope and our confidence in our own capacity to affect our own destiny, to improve the life in America. And that's why I'm here tonight, because you're here, because you don't buy that. You have that hope."

Thank-you.

END OF SPEECH / Q&A FOLLOWED.

Post speech presentations of five "conversation catalysts":

<https://www.dropbox.com/s/8ybxhnxvb3oj1wi/rc-conversation-catalysts-05-02-13.mp3>

#### **Other outtakes from Hedrick Smith talk:**

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1975-2011 80% growth in productivity, 10% growth in median household income at the middle of society. Last year, median male worker in 2011 identical with 1978, adjusted for inflation. Now that's at a time when CEO pay increased 350 percent and the incomes of the people at the top 1% went up 600 percent. I call it wedge economics, a wedge driven right in the middle of the American economy. If you were at the wedge, you didn't go anywhere. If you were below, you probably went down a bit. If you are above, you went up a bit if you were way above you went up a lot, if you were way, way above you went up tremendously.

Happened for economic and politics reasons.

That period of middle class prosperity is accompanied by and supported by a middle class period of exercise of political power -- very important to rules change. (33:00)