MUSINGS

BY MARJORIE KELLY

The Parable of the Shoe Salesman

Business people should be outraged by growing disparities in wealth

ILLUSTRATION BY NANCY BAUER.

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HERE'S A STORY that makes me mad. It's a story about the purpose of capitalism, the ways of wealth creation, and for whom the cash register tolls. It's a story about a shoe salesman.

His name is John Ulvilden, and I first heard about him from a friend more than a year ago. But as I read headlines about soaring profits and falling wages, I began recalling his story. I'm disturbed that S&P 500 profits continue to soar—up 40 percent last year alone—while real hourly wages keep sinking, as they have since 1973. John's story seems to me a parable of what's gone wrong.

For twenty-one years, John worked as an independent sales representative for Adidas, building his Wisconsin territory up to $7 million in annual sales, and his commissions up to $170,000. I mean, this guy was good. And he had a good product, in a period of rapid growth (which he helped create). Out of a national sales force of eighty-five, John was one of the top four revenue producers. And then he was fired.

"Basically, I was making too much money," John told me. "Their philosophy is they don't want anyone to make a lot of money." His tone was matter-of-fact, but I could hear the bitterness. "This happens all the time. A salesperson is always the ugly stepchild."

To get rid of John, his manager used the thirty-day cancellation clause in his contract. "Territory re-alignment," they called it. It took three people to replace him, but the company re-configured the pay system and saved money.

I phoned the manager who terminated John, but he declined to discuss it, saying it was a "personal matter." As for John, he started over with new shoe lines, and his income this year will approach $25,000.

In capitalism we call this a success story. A company re-engineers its sales force. The hard-driving people who build sales are replaced by cheaper folks who can manage existing accounts. Costs go down. Profits go up.

What makes me angry about John's story is how successful he was at *creating wealth*. After all, wealth creation is the core task of capitalism. It's the genius of the system: Companies end up with more money than they start with, generating profits the way a plant generates oxygen. This is presumably what justifies wealth piling up: Those who create it get to keep it.

Only not quite. What John's story reveals is that capitalism does not reward people who create wealth. It rewards people who *own* wealth. It does not reward initiative and hard work and productivity—unless by the ownership class. It rewards owners as much as possible, and employees as little as possible.

John's reference to himself as the "ugly stepchild" is arresting. If a company is a familial arrangement—with stockholder and employee engaged in a common task—it's an arrangement that makes the stockholder the favored child, and the employee the ugly stepchild. True to fairy tale style, note who does all the work.

Of course, one can say stockholders put their wealth on the line, and could easily invest elsewhere. The mobility of capital creates pressure to maximize profits: If a company's performance lags, its ability to raise capital is impaired. Equally convincing is the argument by Sophia Collier at Working Assets Common Holdings. Shareholders come first, she says, because they sit in the back of the bus; everyone else gets paid first. True enough—stockholders may not get paid at all.

But if sales people on commission don't make sales, they may not get paid either. So it's not entirely accurate to say capitalism rewards risk. It rewards *owners'* risk.

In John's case, he took a risk, performed extremely well, and had everything taken from him. Imagine this happening to stockholders: We take a risk on a company, our investment performs extremely well, and all our equity is taken from us. We would be outraged, and rightly so. We should be equally outraged by what happens to workers like John.

We might note here that "owners" are usually the wealthy. According to the Economic Policy Institute, 1 percent of the population owns 48 percent of the nation's financial assets.

So here's the moral of the story: As we go about our business of maximizing shareholder return, we are systematically moving money toward the wealthy, and away from workers. We are favoring the interests of one class over another, which is not only undemocratic, but mean. We need not even have meanness in our hearts: It's built into the system.

Before wrestling over solutions, we as business people must first sit with the uncomfortable truth: The growing disparity of wealth is not some accidental side effect of capitalism. It is the fundamental design of the system.