The Conscience of a Capitalist

The Whole Foods founder talks about his Journal health-care op-ed that spawned a boycott, how he deals with unions, and why he thinks CEOs are overpaid.

By STEPHEN MOORE

"I honestly don't know why the article became such a lightning rod," says John Mackey, CEO and founder of Whole Foods Market Inc., as he tries to explain the firestorm caused by his August op-ed on these pages opposing government-run health care. "I think a lot of people who got angry haven't read what I actually wrote. There was a lot of emotional reaction—fear and anger. I just wanted to get people to think about whether there was a better way to reform the system."

Mr. Mackey has flown into Washington, D.C., for a board meeting of the Global Animal Partnership, a group that advocates for the humane treatment of animals. There was no private jet: He arrived on Southwest Airlines from Austin, Texas, and he bought the "Wanna Getaway" bottom basement fare. "I barely got the last aisle seat," he says. While in town he stays in the bedroom of his regional president, who lives in Maryland.

For the 12th straight year, Mr. Mackey's company has been praised as one of the "100 Best Companies to Work For" by Fortune Magazine. Whole Foods sells healthy food, practices "socially responsible trade," and prides itself on promoting foods that are grown to support "biodiversity and healthy soils." Mr. Mackey donates 5% of company profits to charity and has been one of America's loudest critics of runaway compensation on Wall Street. And he pays himself $1 a year. He would seem to be a model corporate citizen.

Yet his now famous op-ed incited a boycott of Whole Foods by some of his left-wing customers. His piece advised that "the last thing our country needs is a massive new health-care entitlement that will create hundreds of billions of dollars of new unfunded deficits and move us closer to a complete government takeover of our health-care system."

Free-market groups retaliated with a "buy-cott," encouraging people to purchase more groceries at Whole Foods.

Why did he write the piece in the first place?
"President Obama called for constructive suggestions for health-care reform," he explains. "I took him at his word."

Mr. Mackey continues: "It just seems to me there are some fundamental reforms that we've adopted at Whole Foods that would make health care much more affordable for the uninsured."

What Mr. Mackey is proposing is more or less what he has already implemented at his company—a plan that would allow more health savings accounts (HSAs), more low-premium, high-deductible plans, more incentives for wellness, and medical malpractice reform. None of these initiatives are in any of the Democratic bills winding their way through Congress. In fact, the Democrats want to kill HSAs and high-deductible plans and mandate coverage options that would inflate health insurance costs.

The Whole Foods health-care story has been largely ignored by proponents of a government-run system. But it could be a template for those in Washington who want to drive down costs and insure the uninsured.

Mr. Mackey says that combining "our high deductible plan (patients pay for the first $2,500 of medical expenses) with personal wellness accounts or health savings accounts works extremely well for us." He estimates the plan's premiums plus other costs at $2,100 per employee, and about $7,000 for a family. This is about half what other companies typically pay. "And," he is quick to add, "we do cover pre-existing conditions after one year of service."

Whole Foods also puts several hundred dollars into a health savings account for each worker. This money can be used to cover routine medical expenses, like drug purchases or antismoking programs. If that money is not used in a year, the workers can save the money to pay for expenses in later years.

This type of plan does not excite proponents of a single-payer system, who think that individuals can't make wise health-care choices, and that this type of system is "antiwellness" because it discourages spending on preventive care.

Mr. Mackey scoffs at that idea: "The assumption behind that is that people don't care about their own health, and that somebody else has to—a nanny or somebody—has to take care of me because people are too stupid to make these decisions themselves. That's not been our experience. We find our team members [employees], not surprisingly, seem to care a whole lot about their health."

Not surprisingly, Mr. Mackey is a fanatic about healthy eating. "A healthy diet is a solution to many of our health-care problems. It's the most important solution. How much sugar do you think Americans consume?" he asks. "Every man, woman and child consumes, on average, 43 teaspoons of sugar a day. In 13 days that adds up to a five-pound bag of sugar."

"We can spend all the money we want on bypass surgeries, chemotherapy and diabetes, but . . . two-thirds [of Americans] are overweight, one-third are obese." He's on a roll: "And it's not that they have to shop at a Whole Foods Market. But people need to eat whole food plant foods, primarily . . . whole grains, fruits, vegetables, nuts and seeds. That diet supports our lives. We ought to live to be 90 or 100 without getting any diseases."

Healthy eating, curbing the obesity epidemic—it's hard to find much of anything Mr. Mackey says that's controversial. But the health-care reform lobby continues to attack Whole Foods as if he were an apostate.

In response to the hullabaloo, Mr. Mackey has been understandably defensive. In early September, he wrote about the op-ed on his blog: "I gave my personal opinions. Whole Foods has no official position on the issue." So I ask him, does he regret writing the article? "I regret the controversy that it caused for Whole Foods, but I don't regret writing it, because I think what I said is true and it needed to be said. I wasn't seeing anyone else saying it."

Then he adds, half-jokingly: "I've written one op-ed piece in 31 years. It might be 31 more before I write another one."

I ask if he thinks the attacks were instigated by unions. While many other grocery chains are unionized, Whole Foods is not. "Well, the unions have had an adversarial relationship with us," he replies. "I don't think all the protests are strictly union-based, but I do think the unions have contributed to that. I think they've piled on and in some cases are orchestrating some of it." He says he can't divulge private information about whether the boycott hurt sales, but the stock hasn't taken any hit.
"I sometimes think that unions don't understand that we live in a free society and people have the right to not select union representation if they don't want it. I oftentimes hear things like 'Whole Foods is preventing people from unionizing,' which is a lie. That's illegal. We can't prevent anyone from unionizing," Mr. Mackey says.

So why aren't they choosing it? "Because it's not in their best interest," he insists. "We have better benefits and higher pay" than Whole Foods' unionized competitors. "We wish the unions would respect people's right to not have a union." Do they keep agitating? "Yeah, they do."

John Mackey is unlike any other Fortune 500 CEO I have met. He's got ruffled, curly hair, is thin and amazingly fit. He recently completed a three-week hike on the Appalachian Trail. He dresses casually, and his demeanor is almost always laid back. But his close friends say, don't let that fool you. Mr. Mackey is fiercely competitive and hates to lose—two traits that help a lot in business.

His odyssey from a long-haired counterculture anticapitalist in the early 1970s to running a company that now has $8 billion in sales and 280 stores—is a remarkable tale in itself. He attended the University of Texas where he studied philosophy and religion. "I never got my college degree," he admits proudly.

He started Whole Foods in 1978 with one store in Austin with $45,000 of seed capital raised from families and friends. "We lost half of it in the first year and then made $5,000 the next year." He wanted to double down and asked the board to put up more money to expand and build bigger stores. "And of course they thought I was nuts. 'You lost half of our money in the first year.'"

The fledgling CEO convinced them that "if we don't grow, we probably won't survive." The first major super store in 1980 was a success "almost by 3 o'clock on the day it opened." It's been an upward trajectory of profits and sales ever since.

"Before I started my business, my political philosophy was that business is evil and government is good. I think I just breathed it in with the culture. Businesses, they're selfish because they're trying to make money."

At age 25, John Mackey was mugged by reality. "Once you start meeting a payroll you have a little different attitude about those things." This insight explains why he thinks it's a shame that so few elected officials have ever run a business. "Most are lawyers," he says, which is why Washington treats companies like cash dispensers.

Mr. Mackey's latest crusade involves traveling to college campuses across the country, trying to persuade young people that business, profits and capitalism aren't forces of evil. He calls his concept "conscious capitalism."

What is that? "It means that business has the potential to have a deeper purpose. I mean, Whole Foods has a deeper purpose," he says, now sounding very much like a philosopher. "Most of the companies I most admire in the world I think have a deeper purpose." He continues, "I've met a lot of successful entrepreneurs. They all started their businesses not to maximize shareholder value or money but because they were pursuing a dream."

Mr. Mackey tells me he is trying to save capitalism: "I think that business has a noble purpose. It's not that there's anything wrong with making money. It's one of the important things that business contributes to society. But it's not the sole reason that businesses exist."

What does he mean by a "noble purpose"? "It means that just like every other profession, business serves society. They produce goods and services that make people's lives better. Doctors heal the sick. Teachers educate people. Architects design buildings. Lawyers promote justice. Whole Foods puts food on people's tables and we improve people's health."

Then he adds: "And we provide jobs. And we provide capital through profits that spur improvements in the world. And we're good citizens in our communities, and we take our citizenship very seriously at Whole Foods."

I ask Mr. Mackey why he doesn't collect a paycheck. "I'm an owner. I have the exact same motivation any shareholder would have in the Whole Foods Market because I'm not drawing a salary from the company. How much money does anybody need?" More to the point, he says, "If the business prospers, I prosper. If the business struggles, I struggle. It's good for morale." He hastens to add that "I'm not saying anybody else should do what I do."
Well, that's not exactly true. Mr. Mackey has been vocal in his opposition to recent CEO salaries. "I do think that it's the responsibility of the leadership of an organization to constrain itself for the good of the organization. If you look at the history of business in America, CEOs used to have much more constraint in compensation and it's gone up tremendously in the last 30 years."

He bemoans the trend that once a Fortune 500 CEO made about 25 times the average worker pay, and now that's climbed to 300 times average employee pay. He says this violates the principle of "internal equity—what your leadership is getting paid relative to everyone else in the organization."

But there's one other institution John Mackey thinks needs a makeover—and that's government. He describes what the Federal Reserve has done with massive money creation as "debauchery of the currency." He thinks the bailouts were a travesty.

"I don't think anybody's too big to fail," he says. "If a business fails, what happens is, there are still assets, and those assets get reorganized. Either new management comes in or it's sold off to another business or it's bid on and the good assets are retained and the bad assets are eliminated. I believe in the dynamic creativity of capitalism, and it's self-correcting, if you just allow it to self-correct."

That's something Washington won't let happen these days, which helps explain why Mr. Mackey felt compelled to write that the Whole Foods health-insurance program is smarter and cheaper than the latest government proposals. As he races out the door to catch a flight to spread the gospel of conscious capitalism elsewhere, I only hope he gets an aisle seat. He deserves it.

Mr. Moore is senior economics writer for The Wall Street Journal editorial page.