



The New Economy

A Living Earth System Model

By David Korten

As an MBA student, I learned a basic rule of effective organizational problem solving that has shaped much of my professional life. Our professors constantly admonished us to “look at the big picture.” Treat the visible problem—a defective product or an underperforming employee—as the symptom of a deeper system failure. *Look upstream to find and correct the system conditions responsible for the system failure. Otherwise the problem will simply reoccur.*

It is perhaps the most important lesson I learned in more than twenty-six years of formal education. We humans must apply that lesson now to the greatest challenges we have faced since our earliest ancestors walked the plains of Africa.



The current system failure is thousands of years in the making and touches on every aspect of society. There is no magic-bullet solution. Nor will marginal adjustments to the current self-destructive system suffice. We must reinvent our culture and our institutions from the bottom up.

The observations I share in this report are the product of my life experience, much of it living and working in Africa, Asia, and Latin America, as I elaborate in the brief personal history at the end of the report. What follows is my effort to distil within the outline prescribed by the Next System Project the most important lessons of this experience.

Core Goals

The goal is a new economic system that supports three essential and inseparable outcomes:

- ✿ **Ecosystem Health and Balance:** It must value life above all else and support individuals and communities in growing the generative capacity of Earth's biosphere, while meeting human needs within the limits of that capacity.
- ✿ **Shared Prosperity:** It must support the sharing of resources to meet the essential needs of all people by securing their right of access to a means of living.
- ✿ **Living Democracy:** It must give each person an active voice in the decisions that affect his or her life, and support the just and nonviolent resolution of conflict through processes that are both inclusive and transparent.

I call the next system economy a “living” economy, because its underlying design principles come from our understanding of healthy living systems.

By contrast, the system now in place:



- ✿ **Counts Ecosystem Destruction for Financial Gain as Wealth Creation:** It values life only for its market value. And counts as wealth creation the depletion of Earth's capacity to support life in order to grow the financial assets of those who already have financial assets far beyond any need. This assures both the systematic depletion of Earth's capacity to support life and increasing control of what remains of that capacity by a tiny oligarchy.
- ✿ **Drives a Growing Global Class Division between the Profligate and the Desperate:** It encourages and celebrates ever more excessive and wasteful consumption by the few while reducing the many to increasing desperation and exclusion from access to the essential means of living—including clean air to breathe, water to drink, fertile soils to grow food, and a place to live.
- ✿ **Limits Meaningful Participation in Rule Making to the Winners in a Rigged Game:** A corporate dominated, money-driven political system puts the power to make the rules in the hands of those who profit from environmental destruction and economic exclusion, thus creating a positive feedback loop reinforcing political choices that assure ultimate system collapse.

I call this system a “suicide” economy because it systematically destroys the foundations of its own—and our—existence. Also known as capitalism, it is dedicated to what Pope Francis calls the idolatry or worship of money.

The terminally destructive outcomes of the suicide economy are not acts of nature. They are the result of human choices. We can make different choices, but to do so we must understand where we went wrong and why.

The challenge at hand goes far beyond making some adjustments to our economic policies and institutions. We must take the step to a new human civilization defined by a mature relationship to one another and Earth's community of life.



Major Changes

The failure of the suicide economy is inherent in its system structure. The system itself is quite complex, but the primary design flaws are simple and so easily understood that the most perplexing mystery is why we got it so wrong.

I'll begin with two foundational system design errors responsible for the dysfunctions of the suicide economy system. Then I'll outline the foundational frame of the living economy system.

Two System Design Errors

The first fatal error of the suicide economy system design is the choice of money rather than life as the defining cultural value. The second is the choice of global corporations rather than living communities as the institutional locus of organization and power. Everything else follows from these two deeply flawed choices.

Money as Defining Cultural Value

The first design error traces to a mythic illusion. This insight came to me during a ten-day retreat in November 1992 in Baguio, a mountain resort in The Philippines, with leaders of six major Asian nongovernmental organizations. We had all worked together over a number of years and shared a belief that the “Asian development miracle,” much touted by the World Bank and free market economists, was more illusion than reality.

Beneath the surface appearance of dynamic competitive economies in South Korea, Taiwan, Hong Kong, and Singapore, was a deeper reality of impoverishment and spreading disruption of the region's social and ecological foundations. We noted that economic development was monetizing relationships once based on a sense of mutual caring and obligation between people and between people and the land.

One evening as we gathered after dinner to continue our discussion, an image came to mind of development as a pool of money spreading out across the Asian countryside consuming life wherever it touched. It was as if money itself had



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become an evil motive force, absorbing intelligent and highly defined living beings and communities to grow its own featureless bulk—money consuming life to grow money.

What exactly is money that it might act with a seemingly willful drive to consume life? Money is just a number created by humans. It is of no substance or intrinsic worth. Indeed, it has no meaning outside the human mind.

It made no sense that these numbers might possess some independent animating power. Yet the consequences of money’s growing reach were too real and evident to deny.

I puzzled on this for weeks, until I realized that the only possible source of the willful drive in this evil scenario is our own human will. The only motive force is the misdirected life energy of living people.

It took me rather longer to realize that this misdirection is the consequence of an illusion that money is wealth, and the measure of our individual and societal worth. Focused on money, rather than on the life we really want, we humans yield the power and will of our life energy—and even our right to control our own means of living—to corporate institutions that seek financial gain by any means. These institutions handsomely reward those who serve them in the higher ranks of management—at great cost to the rest of us.

From there, the pieces quickly fell into place. What we call economic development is a process of monetizing relationships to alienate people from the bonds



of caring for one another, and the living lands and waters that were previously the source of their means of living. Thus alienated, they become dependent on money to obtain essentials like food, water, shelter, energy, and other basics they once provided for themselves in cooperative, nonmonetary engagement with one another and nature. They became dependent, instead, on the global corporations that now control the jobs, and on credit, on which they now depend for their access to money.

Eventually, I realized the same process is still ongoing in the most “advanced” nations, including my own—the United States. Our dependence on money replaces our direct relationships with one another and nature. We lose sight of the distinction between money and the things of real value that money will buy.

We embrace corporations as our source of money. We forget that nature is our source of life. From here, we easily buy into the fallacies of an economics that counts the destruction of life to make money as wealth creation, and a politics that equates corporate rule with democracy.

Consumed by our quest for money, we fail to notice that we have relinquished control of our lives to the institutions that control our access to money. We accept our enslavement to institutions for which we are merely a means to an end, alien to our own existence and well-being.

Herein lays the crucial insight. Life is sacred. Money is just a number, an accounting chit that allows the few who control its creation and allocation to enslave the many in a money-driven world.

Contrary to the illusion, money is not in itself wealth. No matter how big the financial-asset numbers recorded on computer hard drives stored in bank vaults, those numbers will not, and cannot, save human society from the unfolding social and environmental collapse driven by our obsessive quest for money.

Once we recognize that it is our life energy at play, we can begin to identify the opportunities available to us to redirect that energy from serving money, and the suicide economy, to serving life and the living Earth economy.



Rule by Money-Driven Global Corporations

The second insight comes from an earlier conversation, also in The Philippines, with Sixto Roxas, a distinguished Filipino economist and former international bank executive. During one of our many conversations, I asked Sixto, “Why do economists so often promote policies that have such disastrous consequences for people and nature?”

He answered without hesitation,

That’s easy. They choose the firm rather than the household as their basic unit of analysis. The word economics comes from the ancient Greek word *okionomia*, meaning “household management,” and the classical economists viewed the economy through that lens. When the founders of contemporary economics sought to raise economics to the stature of a science by basing it on a mathematical model, they chose the firm because its transactions are monetized and therefore already quantified. Economists have since viewed the economy through the lens of the [profit seeking] firm rather than that of the [life seeking] household.

As Sixto went on to elaborate on the significance of this choice, he noted that the firm seeks to hire as few workers as possible at the lowest possible cost. The household seeks high-paying jobs with full benefits for all its members who choose to join the labor force.

With regard to the environment, he noted that contiguous households form a community of place with a common interest in, for example, their neighboring forest. For the community, the living forest is a source of beauty, food, firewood, building materials, shade and cooling, fresh water, roots to stabilize the soils of a steep hillside, filtration of dust and impurities from the air, and a source of employment from tourism and sustained yield forest management. By contrast, the international timber corporation views the same forest simply as a commodity to harvest and sell for a one-time profit on its way to the next forest. The fewer workers required, the less their pay, and the shorter the term of their employment, the greater the firm’s profit.



Whether we conclude that clear cutting the forest produces a net benefit or a net loss to society depends on whether we take the perspective of the global corporation or the local household. The choice of perspective points in turn to very different public policy choices.

In traditional economies, the household was a living unit engaged in direct production and consumption of most of the essentials its members depended upon to live. It obtained most of the remainder through mutual exchange with neighbors that did not necessarily involve some token of exchange.

There were strong bonds between households based on mutual caring and obligation, and reinforced by a recognition that the life of each person and household depends on the well-being of the community and its members, both human and nonhuman. Indeed, there was little distinction between the household and the firm as they were often one and the same.

By contrast, the conflict between the interests of the household and the firm becomes starkly evident when observing the contemporary global economy. Itinerant individuals and families lack permanent ties to place. We rarely know our neighbors. Money mediates most exchanges. And impersonal global corporations organize most production and exert near total control of our access to a means of living.

Public policies that favor the firm's interest almost universally come at the expense of individual, household, and community interests. But we acquiesce because we identify with the corporation rather than the community as the source of our means of living.

Day by day, it seems global corporations exert ever greater control over our means of living. The corporation is an institutional form that allows the few to leverage their control of the real assets on which the lives of all depend. This control in turn allows them to control the political and judicial systems. Exerting that control, they have acquired more rights than people.

We are encouraged to celebrate the transition to money-mediated relationships as our source of liberation from the often-oppressive family and community



obligations of the past. We fail to notice that it reduces most of us to a condition of wage and debt slavery.

Contemporary corporations are now so big and complex with internal systems so powerful and self-reinforcing that they operate largely beyond human accountability. Even their CEOs are more their servants than their masters.

Corporate rule is spinning ever further out of control, with no internal corrective mechanism to halt the systematic social, environmental, and political devastation it leaves in its wake.

We are nearing the end of a grand social experiment which replaced economies organized by and for living communities with economies organized by and for legally protected pools of money. That experiment has been guided by the mathematical models of an economics based on the wrong measure of value and the wrong unit of organization. The results of the experiment are now in. For all but a tiny minority, it was a disastrous failure.

Fortunately, we have the means to liberate ourselves from servitude to a rogue system of our own making.

Learning to Live as A Global Earth Community

The earliest humans recognized a foundational truth that science now reaffirms: Life exists only in living communities. We modern humans are only beginning to understand the full significance of this basic truth and the complexity of the processes by which healthy communities of living organisms—from the most simple single cell organisms to the highly complex, self-aware, and intelligent human species—self-organize to create and maintain the conditions essential to their own existence.

Reconnecting with Nature

The roots of our current human disconnect from nature trace back 10,000 years to the initial human transition from organizing as small roaming bands of hunter-gatherers to organizing as settled agricultural societies.



Hunter-gatherers migrated with the herds and seasons to sustain themselves by harvesting and consuming nature's current bounty. Lacking the ability to accumulate material goods beyond what they and their domesticated animals could carry, they moved with nature's seasonal flows and cycles in a respectful relationship with all around them.

Settled agriculture was a first human step toward a belief that humans stand above and apart from other species. With the exception of our use of small amounts of coal, we remained largely dependent for energy on human and animal muscle, and current sunlight and supplies of sunlight stored short-term in firewood.

In 1765, James Watt invented an improved steam engine. The industrial revolution and the gasoline engine followed. No longer dependent on human and animal energy to power our machines, we were able to expropriate carbons and minerals that nature had sequestered deep underground over billions of years to create environmental conditions on Earth's surface suited to the needs of more complex and intelligent life forms.

Earlier civilizations had destroyed the foundations of their own existence through the over exploitation of nature in a particular place on living Earth. The industrial revolution amplified and accelerated the destruction manifold. We were soon disrupting and depleting not only the species, soils, waters, herds, fisheries, and forests of Earth's surface within the geographical boundaries of a particularly imperial civilization, but we were doing it on a global scale to fuel a brief, reckless, and unsustainable period of unprecedented material excess, military domination, and human population growth.

Economists who embraced GDP as their primary indicator of economic performance, took no account of the social and environmental costs, and assured us that we were getting richer, even as we destroyed the social and environmental foundations of our existence.

The Global Footprint Network estimates that it would take 1.6 Earth planets to sustain current levels of human consumption. And this takes no account of the



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needs of the substantial majority of the world’s people for whom current levels of consumption provide, at best, only a bare subsistence living. The longer we allow this imbalance to grow, the faster we deplete Earth’s capacity to support life in any form.

Meanwhile, the intense human competition for what remains of Earth’s real wealth deepens the historic divide between a small ruling minority who enjoy grotesquely extravagant excess and a majority who struggle to survive.

Reconnecting with One Another

Early human societies may have assigned distinctive age and gender roles, but social stratification was inherently limited. Of necessity, everyone shared both the work and the harvest with little or no class distinction.

Class divisions became possible only once settled agricultural societies developed the ability to extract and accumulate a consequential surplus beyond the subsistence necessary for their survival. Even so, we organized as relatively egalitarian agricultural societies for some 5,000 years before a small ruling class emerged in the Tigris-Euphrates and Nile River valleys around 3,000 B.C., and controlled the surplus to their own exclusive advantage.

A portion of the surplus went to rewarding loyal members of the retainer classes responsible for maintaining the military, judiciary, religious, and tax collection functions that allowed the few to gain and maintain control of the society’s means of production—at that time primarily land—and to expropriate the surplus of the many for exclusive benefit of the few.



As the institutions of monarchy began to yield to demands for democracy, the ruling oligarchy responded by turning to the institutions of corporatocracy as a counter. In 1600, the British crown issued the first modern corporate charter to the British East India Company to exploit colonial territories for private gain, free from oversight by the British parliament.

We came to believe that democracy triumphed over monarchy and accepted that as the end of the story. However, by the end of the twentieth century, global corporations had become a force unto themselves with rights and powers that extended beyond accountability to any democratized nation-state. Indeed, national states are becoming more accountable to global corporations than the reverse—the ultimate triumph of the firm over the household and of corporate rule over democracy.

We are still floundering at the beginning of humanity’s democracy story. Monarchy has perished. But the institutions of corporatocracy have replaced the institutions of monarchy. Oligarchy remains alive and well, and, by some estimates, global inequality is now greater than at any prior time in human history.

Oligarchy has prevailed for 5,000 years by keeping the excluded classes divided—race against race, gender against gender, ethnic group against ethnic group. The methods of the corporatocracy are more sophisticated and less visible than the methods of monarchy. Its reach, however, is global and its environmental consequences pose a greater threat to living Earth. Yet, the larger patterns and their consequences remain much the same.

According to an OECD study, between 1950 and 1980, within country global inequality fell sharply, but then returned to historic levels.¹ Those thirty years were a time of strong unions, a progressive political culture, and progressive public policies. The US led the way in this historical departure. It then led the global promotion of policies consolidating corporate power to restore the longer-term norm of inequality.

The thirty-year anomaly demonstrated the possibilities of democracy and technological advance to create a more just and prosperous world for all. It also had



a deeply dangerous downside as it fed a delusional fantasy: the exploitation of nature made possible by fossil fuels could go on forever and one day raise all the world's people to a level of consumption comparable to that of the now shrinking US middle class.

Over the 5,000-year era of empire, the institutional structures that secure the power of the ruling class have evolved and globalized. Yet, with a few temporary exceptions, the essential elements of the historical class structure and a grossly unjust distribution of the global surplus beyond bare subsistence have remained relatively unchanged.

We have now returned to the historical norm by which the ruling class and the top ranks of the retainer class appropriate virtually all the economic surplus beyond subsistence for their private benefit. The rest of society struggles to survive under whatever conditions of wage and debt slavery the ruling class offers.

Unfortunately, what the favored classes consume as the system's economic "surplus" is not a true surplus if it depends on drawing down the generative capacity of living Earth's natural capital and its ability to support life. According to the Global Footprint Network, human consumption exceeded in the early 1970s the limits of what Earth could sustain and has since depended on depleting natural capital.

The promise of all the world's people enjoying an American or European style of material affluence, with sufficient economic growth, is a deception. Awareness of this is spreading, as is the sense that the current system is unsustainable. For many of us this does not come as news. But it is only beginning to penetrate the broader public consciousness.

The essential transformation of our unjust, destructive, and grotesquely wasteful institutional system depends on bridging the divisions that have for so long kept the many, who seek a world of peace and justice for all, divided against one another. The communications revolution, which has stripped away the physical barriers to our ability to join in common cause as a global community, holds



the critical key to our ability to now navigate the transition to a new human era defined by the three core goals set forth at the beginning of this report:

- 🌳 ecosystem health and balance,
- 🌳 shared Prosperity, and
- 🌳 living Democracy.

It will of necessity feature:

- 🌳 a global culture that recognizes we are living beings that survive and prosper only as responsible members of Earth's community of life; and
- 🌳 an institutional system that organizes around radically democratic, life seeking, place-based communities.

To succeed, we must reconnect with nature and one another and bring all our accumulated human knowledge and capacities to bear in dealing with our foundational task: learning to live as responsible contributing members of living Earth's community of life.

It is an historic challenge of epic proportion. I find hope in evidence that a deep transformation is already underway, as people everywhere experience the consequences of social and environmental breakdown, and mobilize to bring forth the culture and institutions of the next system.

Principal Means

To move beyond the failed system of the suicide economy, we must replace the foundational pillars on which it rests. The suicide economy's four pillars are:

1. A Money is Sacred Story: A sacred money and markets cultural story that would have us believe that money is wealth and making money is wealth creation.
2. A Money is Sacred Economics: A phantom wealth economics that presents an immoral and dysfunctional ideology as settled science.



3. A Money is Sacred Law: A system of law that gives incorporated pools of financial assets more rights and powers than living communities.
4. A Money is Sacred Democracy: A one-dollar, one-vote democracy that favors monopolistic concentrations of absentee ownership mediated by Wall Street to serve money at the expense of life.

We must replace the four pillars of the suicide economy with the four pillars of a living Earth economy:

- 1 A Life is Sacred Story: A sacred life and living Earth story that affirms our true nature as living beings that survive and prosper only as responsible members of a living Earth community.
- 2 A Life is Sacred Economics: A pragmatic, values-based, real-wealth economics discipline that recognizes that life is the foundation of all real wealth, and serving life is an economy's only legitimate purpose.
- 3 A Life is Sacred Law: A system of natural rights law based on recognition that without nature, there are no people; without people, there are no corporations; and the only legitimate purpose of a corporation is to serve the living community that issued the charter that created it.
- 4 A Life is Sacred Democracy: A one-person, one-vote political democracy secured by economic democracy grounded in the Jeffersonian ideal of each person holding an ownership stake in the means of producing his or her living.

Each of these pillars represents a high leverage opportunity to advance the essential system transition.

Life is Sacred Story

We humans live by shared stories that embody the common values and understandings we require to organize as coherent groups, communities, and societies.



If we get our story right, we can get our future right.

Our most important stories are those that express our deepest beliefs about our human nature, origin, purpose, and what is most sacred—that which is most essential to our well-being.

The much beloved theologian Thomas Berry observed in *Dream of the Earth* that “The deepest crises experienced by any society are those moments of change when the story becomes inadequate for meeting the survival demands of a present situation.”²

We live at a time between stories. We are in deep trouble currently because we organize as a global society around a sacred money and markets story fabricated and propagated by corporate-funded advertising and public relations to create and maintain an individualistic money-worshipping consumer culture. This story assures us that time is money, money is wealth, those who make money are society’s wealth creators. That unregulated “free” markets channel the individualistic competitive instincts, and define our human nature in ways that maximize wealth creation for the common good.

It is a deeply intellectually and morally flawed story that legitimates a system that condemns the majority to lives of wage and debt slavery. So long as we continue to organize around this story, we will get the same self-destructive result. System change necessarily begins with a new story.

This is where I find the greatest source of hope for the human future. The failed sacred money and markets story is fast losing credibility. A sacred life and living Earth story is emerging in its place. The new story with ancient roots affirms our true nature as living beings who survive and thrive only as contributing, cooperative members of a living Earth community. It reminds us that time is life, real wealth is living wealth, and the only legitimate purpose of the economy is to serve living communities.

This is an authentic story that the institutions of empire have, throughout history, sought to suppress. It is a story of liberation that celebrates the possibilities of



radical living democracy and strips institutions of the imperial rule of their cloak of false legitimacy. It lives in the human heart, and for most people needs only to be affirmed.

I delve more deeply into the implications of the sacred life and living Earth story, including the implications for science, education, media, and religion, in *Change the Story, Change the Future: A Living Economy for a Living Earth*.³

Life Is Sacred Economics

Economics is the branch of knowledge concerned with the production, consumption, and transfer of wealth. The word *economics* comes from the Greek *oikonomia*, which means “household management” or “the management of household affairs.”

The often-cited founders of modern economics such as Adam Smith, David Ricardo, Henry George, Thomas Malthus, and Karl Marx were political economists of great intellectual breadth and depth. In the tradition of Aristotle, they sought to understand how societies organize and manage their labor and natural endowments to best meet their needs.

As documented by science historian Robert Nadeau in *Rebirth of the Sacred*, a group of economists in the mid-1800s turned away from this grand tradition.⁴ They observed that the mathematical rigor of physics made it the most prestigious of the sciences. Consumed by a bad case of physics envy, these economists appropriated a mathematical model from physics, substituted economic variables for the physical variables, declared economics a values-free science, and dismissed other streams of economic thought as unscientific heresy.

Reasoning that capital assets like land, buildings, machinery, and technology are exchangeable in the marketplace at the prevailing price, economists reduced all capital assets to financial assets. Since such intangibles as political power and the health of social and environmental systems are difficult to quantify, economists excluded them from consideration in their subsequent analyses.



In their inappropriate application of a mathematical model with no evident relationship to economic reality, economists advocate policies that increase economic inequality, destroy nature to make money, and undermine democracy.

Failing to distinguish between phantom-wealth money and the real-wealth capital that money can buy, phantom-wealth economists chose to call financial assets “financial capital”—or just capital. Money thus became, in the eyes of most economists, the most valuable of capital assets, and the ultimate economic constraint, as well as the dominant measure of well-being. It seems they never noticed that this is perhaps the ultimate example of what economists themselves call a fallacy of composition—inappropriately assuming that what is true for the individual is also true for the society.

For the individual, a lack of money is generally the primary constraint on consumption. Yet, unlike any of the other recognized forms of capital, any nation with its own currency and a central bank can create money in any quantity it chooses with a few computer keystrokes. Money should never be a nation’s defining constraint.

For a nation, in contrast to an individual, the critical constraints are human capital (the health and skill of its workers), its social capital (the bonds of trust and caring essential to healthy community function), and its biosystem capital (the living systems essential to Earth’s capacity to support life). The suicide economy systematically depletes all three of the most crucial forms of capital in order to create money. Phantom wealth economists call this transformation of real capital into phantom-wealth, or financial capital, “wealth creation.”

Neoliberal or neoclassical economics as currently taught and practiced is an intellectually and morally bankrupt ideology posing as a science.

The real drivers of economic policies favoring the suicide economy, however, are not the phantom-wealth economists who promote an elitist ideology as science. The role of credentialed economists is to provide intellectual cover for policies



promoted by corporatist oligarchs to advance their economic interests. The economists assure the public that maximizing corporate profits will maximize GDP growth and maximizing GDP growth will maximize benefits to all—because their mathematical models say so.

A real-wealth economics will begin with ten essential, observable real-world truths that phantom-wealth economists ignore or deny:

1. The economy's only valid purpose is to serve life.
2. Money is a means, not an end.
3. All real wealth begins with the generative systems of a living Earth. We share one Earth and must learn to live accordingly.
4. Equality is an essential foundation for healthy human communities and for healthy coproductive relationships with the rest of nature.
5. The first test of an economy's performance is how well it maintains and enhances the health of the biosystem capital on which it depends, and on which the health and happiness of humans, in turn, depend.
6. The household that seeks to secure the well-being of its members is a more appropriate choice as the basic unit of economic analysis than the corporation that seeks to maximize financial returns to its managers and the financial speculators who trade in its shares.
7. Community-based living economies are most secure, stable, productive, and innovative when they organize to meet their own needs with their own resources, while freely sharing ideas and technology and trading their surplus in balanced exchange with their neighbors.
8. Living communities are strongest and healthiest when monetary exchange takes place within a strong framework of relationships, based on mutual trust, caring, and sharing.



9. Real investment is long term and produces real value for society. Speculation is short term and expropriates, for private benefit, the wealth created by others, while contributing nothing of value to society in exchange.
10. A human-scale business owned by local stakeholders, who know and care about one another, is more likely to serve the community's interests than a global corporation, whose absentee owners trade its shares at light speed in global financial markets.

Embracing these truths as foundational principles, real-wealth economists favor:

1. the evaluation of economic performance based on indicators of the health and sustained generative capacity of individuals, communities, and living Earth;
2. strict limits on the concentration of economic power;
3. relationships based on mutual caring, trust, and responsibility;
4. local decision making;
5. self-reliant use of local resources to meet local needs;
6. stable, long-term local ownership;
7. secure employment for all job seekers doing beneficial work;
8. an equitable distribution of income consistent with individual contributions to the real health and well-being of the community;
9. worker ownership of enterprises to eliminate the division of society into an owning class and a working class with opposing interests;
10. tax policies that support an equitable distribution of wealth consistent with contribution, and fairly reward productive investment and discourage predatory investment and speculation.



Within the phantom-wealth economics frame, such preferences represent threats to progress and prosperity. Within the real-wealth, living Earth economics frame, they are a commonsense foundation of progress and prosperity.

True scientists continuously test their theories and learn from data. True ideologues are only interested in data that affirms their ideology.

I see signs of deep shifts underway within the institutions of both science and religion. I detect no evidence, however, that the economics discipline can or will reform itself from within. The impetus to replace it with a new economics based on the principles of healthy living systems must come from outside the discipline's establishment ranks.

There are hopeful signs. George Soros has funded the solutions-seeking Institute for New Economic Thinking.⁵ The International Student Initiative for Pluralism in Economics, an alliance of eighty-two associations of economics students from thirty-one countries, is demanding that university economics courses offer a greater variety of perspectives.⁶

One of the most hopeful initiatives in my view is Economics for the Anthropocene (E4A), an intellectual partnership organized by McGill University, University of Vermont, and York University.⁷ Its stated goal is to improve how the social sciences and humanities connect to scientific realities about human-Earth relationships.

The partnership seeks to build a radically unsiloed, non-disciplinary intellectual enterprise that brings together relevant findings and insights from all the academic disciplines and beyond. It builds on the founding principles of ecological economics, in search of a true household economics that recognizes that the household economy is a subsystem of society, which is in turn a subsystem of Earth's biogeochemical system.

An applied real-wealth economics is being built in parallel through the practical actions of many millions of people who are mobilizing to bring a real-wealth economy into being. While creating a new living Earth economy from the



bottom-up, they are also building an applied living Earth economics and growing an emerging crop of self-educated living-Earth economists—few, if any, of whom recognize themselves as economists.

Life is Sacred Law

An essential function of a legal system is to provide for the rule-based resolution of disputes over conflicting rights and interests. In our time, few would dare to defend a system of law based on the principle of the divine right of kings: the theory that the authority of the monarch derives directly from the will of God and cannot be subject to earthly authority or the will of the people.

Yet contemporary legal practice features a roughly equivalent principle: what author and community-wealth expert Marjorie Kelly calls “the divine right of capital.” More specifically, it is the divine right of the owners of capital to pursue profit without regard to the consequences for society and living Earth.⁸

This legal doctrine is the product of a series of decisions by a corporatist US Supreme Court, extended and codified by global agreements (misleadingly labeled trade pacts) written and promoted by corporate lobbyists to place corporations ever further beyond the reach of democratic accountability. This illogical, immoral, anti-democratic, antilife legal perversion presents a major barrier to advancing a transition to democracy, peace, justice, sustainability, and a living economy.

As we awaken to the reality that human life, liberty, and happiness all depend on the health and vitality of living Earth’s community of life, our attention is drawn to a self-evident truth: There are no people without the rest of nature and there are no corporations without people.

It is simple logic. The health and well-being of the generative systems of living Earth must be our first priority. Human well-being comes second. And corporate profits come last. We have scarcely begun to examine the profound implications of the conflict between this ordering of priorities and a legal system that grants to corporations rights once reserved for kings, and that regards nature as mere property with no rights at all.



Just as a living economy requires a living Earth story and a living Earth economics, so too it requires a living Earth jurisprudence that puts the rights of life ahead of the rights of money. Only by saving nature can we save ourselves.

Well-organized citizen campaigns are gaining traction to strip away the legal fiction that corporations are entitled to the same rights as natural-born persons. So too are global campaigns to secure legal rights for nature. Some of the more interesting of current local initiatives in the United States combine the two.

Indigenous peoples and environmental organizations brought the rights of nature frame to the debates of the 2012 United Nation's Rio+20 environmental conference. Wall Street interests argued that the best way to save nature is to put a price on natural resources and sell them to corporations to manage for private financial return. This, they claimed, would create an incentive to manage them responsibly for the long term. Leaders from indigenous and environmental communities countered with the ancient wisdom that living Earth is the source of our birth and nurture. She is not for sale. Her health and integrity must be maintained no matter what the cost in lost profits.

A Rights of Nature provision is included in the Ecuadoran constitution.⁹ More than two hundred communities in the United States have passed ordinances granting rights to nature.¹⁰ Similar initiatives are springing up all around the world.

At its foundation, Western jurisprudence takes an atomistic view of society as an aggregation of discrete individuals, each with individual property rights, and each entitled to do with their individual parcel of owned land anything not specifically prohibited by law.

In a living community, rights come with corresponding responsibilities. Individual living beings can only survive and thrive in community. So too, individual rights must be exercised with acceptance of our individual and collective responsibility for the well-being of the community, on which we in turn depend.



In all things, balance between the interests of the individual and the community must be maintained. Capitalism and communism both fail. Capitalism because it recognizes only individual interests and Communism because it recognizes only community interests. Both ignore the reality that, in the deepest sense, the interests of the individual and the community are inseparable.

The fallacies of individualism, devoid of community responsibility, are especially evident in the Western concept of property rights, which ignores the reality that the boundaries of natural ecosystems do not correspond to the artificial legal boundaries of individually-owned parcels of land. Each parcel of owned land and its nonhuman inhabitants is integral to a larger ecosystem that is, in turn, integral to Earth's ecosystem and essential to the health and well-being of all.

There is a growing tension in Western law between efforts to protect the presumed right of owners to do as they wish with their owned parcel and our dependence on, and responsibility for, the health of Earth's living systems in the interest of all.

We must rethink and restructure our laws and their administration accordingly—a significant challenge for the legal scholars and citizen activists who act in defense of life and democracy.

This brings us to the fourth pillar of the living Earth economy: democracy in its deepest and truest sense. Here, again, there are hopeful signs and initiatives.

Life Is Sacred Democracy

This is where we address the question of who will choose the rules and the methods of their enforcement. The consensus favors democracy, which to most of us means each person has an equal voice in the decisions that affect their life. That would be a democracy of persons. Few would now dispute that what we in fact have is a democracy of money, in which each individual's voice is proportional to what he or she is able and willing to pay. Currently, this translates into a combination of oligarchy and corpratocracy.



The corporate PR machine would have us believe that money is speech and for-profit corporations are just people. Therefore, corpratocracy is just another way for people to exercise their democratic rights. It is another of the PR machine's fabrications.

A one-dollar, one-vote democracy is a democracy of money, not people. The people who work for a corporation have no rights and are subject to instant and arbitrary dismissal. The human owners—as distinct from intermediate corporate owners—are absentee owners far removed from actual decision making. Most have no idea what corporations they own and bear no personal liability for the consequences of the actions of those corporations.

When any institution acquires a voice independent of the voice of real people, it diminishes the voice of the popular voice and thereby diminishes democracy. This is particularly true of the voice of a global for-profit corporation.

There are many valid proposals for getting corporations and big money out of politics. They include: stripping away the fiction of corporate personhood and barring corporations from political engagement of any kind, eliminating independent political action committees, limiting individual political donations, advancing public financing of elections, and reinstating equal time rules for media using public airways. These are all familiar and necessary.

What bears special attention here is the foundational truth that political democracy based on the right to vote is a façade in the absence of economic democracy based on the participation of each individual in the ownership of his or her means of living.

Ownership of the essential means of living—including land, fertile soils, and clean air and water—is the foundation of power in human societies. Recall that monarchs secured their power by their control of access to land, the essential source of basic subsistence.

This is a foundational principle of power. Who controls access to the means of living, controls the society. Democracy exists only to the extent that this control is democratized through the democratization of ownership. Be clear, I'm talking



here of direct participation in ownership, not the distant abstraction of state or corporate ownership.

Call it deep or living democracy, it has five essential elements: Equality + Voice + Ownership + Local + Community. When ownership is small and local, and owners are community members, the powers of ownership naturally align with community interests, including the community's interest in a healthy environment, shared prosperity, and transparent, inclusive decision-making processes—the core goals of a living economy.

What we currently call democracy is little more than a primitive electoral system appended onto the classic hierarchical institutional structures of imperial rule by which a king exercised control over the means of living by controlling access to land. Our current system simply replaces a system based on the divine right of kings with a system based on the divine right of capital deceptively labeled “democracy.”

In the midst of democracy's historic challenge to monarchy, Adam Smith and Thomas Jefferson both advocated a liberal vision of a society of independent, small farmers and artisans who secured their voice and their freedom by the ownership of their own land and the tools of their trade. Smith focused on small, local, independently-owned businesses as the foundation of a market economy. Jefferson focused on small, local, independent farmers as the foundation of democracy. It was essentially the same vision. Both abhorred the monopolization of power by either public or private institutions.

Stable, distributed, responsible, and broadly participatory local ownership within a context of mutual caring and responsibility to, and for, the community of life is an essential foundation of living Earth democracies and economies.

In stark contrast, the institutional structures of the contemporary suicide economy support the most perverse system of highly concentrated absentee ownership ever devised by humans. This system drives relentlessly toward monopolizing ownership rights to our means of living by institutions that operate far beyond meaningful accountability to the people whose lives depend on them. This is no accident.



As the liberal democratic vision of Smith and Jefferson gained public support, the champions of oligarchy sought to co-opt it through their influence within the institutions of education, religion, and media. They embraced the vision of private ownership and markets, but removed the small and the local, and used the financial leverage made possible by the for-profit, limited liability corporate charter to gain monopoly control of money, markets, jobs, and essential resources like land, water, and information to extract unearned monopoly rents.

As the former colonial empires gained their freedom following World War II, the corporate oligarchs launched an end run around democracy. In the name of free markets and trade, they set about to integrate local and national economies into a seamless global economy, thus facilitating the consolidation of global corporate monopoly power beyond the reach of democratically elected governments. It was a brilliant strategy and a gross perversion of the liberal democratic vision.

A well-known quote from Adam Smith suggests he might view any firm larger than one person as a step toward the formation of a trust to thwart market discipline:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.¹¹

Monopolization of access to the means of producing our livelihood is the mortal enemy of the markets of Smith and the democracy of Jefferson.

It is also contrary to the foundational organizing principles of healthy living systems. There is no equivalent in nature to the concentrated hierarchical power of either the state or the corporation. Living systems have no central decision maker or command and control structure.



Living systems, including superorganisms like the human body, self-organize within a frame of community in which decision making is everywhere local. Countless feedback loops shape local decision making.

Smith and Jefferson's vision of an economy of small, independent owners and producers who self-organize within a community frame of shared values, mutual caring, and reciprocal obligations mimics, within a human context, nature's self-organization. Markets are one of the varied mechanisms for facilitating local self-organization within a frame of community values. The stronger the sense of community and the more democratic the distribution of power, the less the need for coercive regulation exercised by a central authority to constrain antisocial behavior.

Historically, our concepts of democracy have been wholly anthropocentric and worked out within the established institutional frame of empire and an obsolete belief system that assumes humans are above nature and entitled to own and exploit her as we wish. We now bear the consequences of the misguided choices that followed.

Designing the system frame for an authentic living Earth democracy, grounded in the recognition that Earth is our common heritage, requires that we revisit the most basic questions about democracy, property rights, economic justice, and the corporation as an institutional form. It is a challenge as daunting as that faced by those who chose to rebel against the divine right of kings generations before us. It is in fact the same challenge. Historically, the struggle for democracy is still in its early stage.

Geographic and Temporal Scope

The geographic scope of the living economies model is global and its temporal scope extends to prehistory.

Modern humans appeared some 200,000 years ago. Human activity began to change Earth's carbon balance roughly 200 years ago. Then, just a bit over twenty



years ago, the World Wide Web created the potential for humans to communicate, think, and act as a planetary species with a collective awareness of the global impact of our presence.

Never before have ordinary people from every locality on Earth been able to communicate with one another instantly and nearly costlessly. Never before have we had the capability to discover and share a common story free from intermediation, censorship, and distortion by authoritarian governments or corporations.

This capability carries a profound obligation to assume responsibility for our actions for the benefit not only of our human children, but also for the children of all the species that together comprise Earth's self-sustaining community of life. Fulfilling that obligation will require an epic restructuring of our human relationships with one another and Earth, grounded in the reawakening of human consciousness to ancient truths given new meaning and definition by the leading edge findings of contemporary science.

Time is rapidly running out. The human burden on Earth's living systems is already well into the overshoot stage modeled by the Club of Rome in 1972 and is driving ecosystem collapse at an accelerating rate. By any objective analysis, it is already too late to reverse the now unfolding collapse. If, however, we give up in despair, we create a self-fulfilling prophecy.

Given what is at stake, we must assume we still have time and act with the speed and determination we might muster if Earth were under attack by alien invaders. In the words of Pogo, the comic strip character, "We have met the enemy and he is us."

Fortunately, the emergence of a new consciousness and the new organizing structures required to actualize our potential for responsible planetary citizenship is already underway. Our mutual awakening is unfolding at an accelerating pace as collapse of critical Earth systems unfolds.

Whether we can achieve the necessary transformation in time, I do not know. I do know that nothing less than a deep system change will suffice—failure to try



guarantees system collapse—and we likely have no more than one to two decades to achieve it. Fortunately, the actions that may help us avoid collapse are the same actions we must take to lessen its impact and prepare human survivors for life in the aftermath.

Theory of Change

As I've documented in detail in *When Corporations Rule the World* and summarized in previous sections of this report, the structures of the suicide economy are highly efficient at producing the destructive outcomes that now threaten the human future. I began this report by noting that these consequences are exact opposites of the results of the living economies system we seek.

Regardless of intention, the suicide economy outcomes are an inevitable consequence of a culture that values life only for its market price and centers governance power in global corporations rather than place-based communities of living people.

Stricter regulation to constrain the behavior and profits of global corporations might reduce or slow the damage. We will continue on the path to ultimate system collapse, however, for so long as the existing system structures remain in place. The implications for action are monumental. Time is short. And we cannot expect the leadership for change to come from a corporate system that depends for its power and legitimacy on the sacred money and markets story, a phantom-wealth economics, corporate rights law, and concentrated, unaccountable, absentee corporate ownership. A hierarchical power structure cannot and will not voluntarily disassemble the foundations of its own power and legitimacy.

If we had democratically accountable governing institutions, we might look to them for leadership. America's bold experiment in political democracy has so far failed, because we have yet to confront the fundamental truth that political democracy and economic democracy necessarily go hand in hand. Both are essential to the system we must now bring forth. Global corporations currently control both economic and political power.



Our situation, however, is far from hopeless. Though the old system is no longer under human control, it has no life energy of its own. Its power depends entirely on expropriating our human life energy. As we withhold our life energy from the dying system and redirect it to the emerging new system, we participate in hospicing the old system and birthing the new.

We can and should recruit support from socially-conscious humans working within the system. The leadership, however, must come from social movements that organize primarily outside the system's mainstream. Our hope thus lies with an already emerging global social movement that draws together people of all generations, races, religions, classes, and ethnic origins and melds ancient wisdom with modern knowledge and technology. And fortunately, we have the benefit of lessons from many positive localized experiments on which to draw.

There is no precedent in the human experience, however, for what we as a species must now achieve in the blink of an historical eye. There is no map to, or blueprint for, creating the required global shared culture and institutions. We must invent them as we go. In the words of the esteemed activists Paulo Freire and Myles Horton, "We make the road by walking."

As with any successful social movement, the organizing process is emergent, self-organizing, mirrors the deeply democratic, creative processes of the system we seek to construct, and has a capacity for rapid learning and reconfiguration. It coalesces around the shared stories and trusting relationships of a dynamic self-organizing community rather than the centrally directed command and control system of a conventional top-down hierarchy. Leadership is diverse, distributed, and fluid. Such processes are very difficult to control or defeat because the structures are fluid, leaders are many, and there is no formal hierarchy susceptible to direct attack and disruption.

It is important to be clear that the goal is not to return to a distant past of isolated communities. We are learning to function as a global species, interconnected by a seamless communications web to create a new civilization that aligns with the system dynamics of Earth's ecosystem. This global communications web is wholly



new in the human experience, allows us to function as a global species, and is our hope for a successful transition.

Specifics

What follows below is my response to the request for specifics included in the suggested reporting outline provided by the Next System Project. I've tried to respond with brief answers within a living system frame briefly summarized as follows.

We are living beings born of and nurtured by a living Earth, itself born of a living universe. Life organizes not as hierarchies of central control, but as holarchies of the nested, self-organizing communities that organize from the bottom up through processes so complex that they remain largely beyond the understanding of even our most advanced scientists.

The human body, which we are coming to recognize as a superorganism, exemplifies that complexity. Each of our bodies is a self-organizing community of tens of trillions of individual, living, choice-making cells that together create a superorganism with capabilities far beyond those of any of its component cells and microorganism. The health and survival of each of the contributing cells and microorganisms, in turn, depends on the health and survival of the whole.

The complexity of the human body is itself dwarfed by that of the yet far larger and more wondrous superorganism to which we all belong. We call it Earth.

Some Specifics: Economy

How are the economy's productive assets and businesses owned in the future you envision? Does ownership differ at different scales? Do forms of ownership vary by economic sector?

Economic democracy is a foundation of political democracy and the right of access to a means of living. Let's begin with the natural case for sharing.

No single person, organism, or species created the natural systems on which all life depends. They are a common creation and common heritage. The right to share in them is a birthright of all life—including all human persons.



Living Earth is our birth mother. Any presumption that we can own and consume the body that birthed and nourishes us is an abomination. We do each have a right, however, to share in the nourishment her body offers. This right of ours comes with a corresponding obligation to respect her and see to her care.

We currently deal with such use rights in the frame of property rights. We face an urgent need to rethink our whole concept of property within the context of the current daily reality of what some call a “full” world.

No one is necessarily entitled to a free ride. But everyone has a right of access to a means of living, whether it be a job or a plot of land, and it is proper that this right be secured by a property or use right. Conversely, no one has a right to own or control, for his or her exclusive private benefit, a share of assets essential to living far beyond any conceivable personal need, if this results in depriving others of a means to life.

The more dense the population relative to the resource base, the greater the imperative that essential resources be shared. This translates into an equitable distribution of ownership rights. We now have a greater density of population relative to the resource base of any time in human history. Yet a recent study concluded that, globally, we currently experience the most unequal distribution of wealth in all of human history.

When facing the need for redistribution, it is relevant that this extreme maldistribution is largely the product of monopolistic concentrations of power, financial speculation, fraud, public subsidies and bailouts, exploitation of labor, usury, abuses of eminent domain for private benefit, and privatization of the commons—much of it illegal.

Redistribution to achieve a semblance of economic democracy is not only just, it is an imperative of a viable human future. It can be achieved only through public policy driven by the demands of social movements speaking truth to power.

Necessary and appropriate actions include:



- ✿ Closing access to offshore tax havens.
- ✿ A financial transactions tax to eliminate high speed trading.
- ✿ A 100 percent capital gains tax on profits from investments held less than a month.
- ✿ A sharply progressive tax on large estates with the proceeds directed to providing every young person with a trust fund at age twenty-one, to be invested in securing their ownership of a home, and the productive assets on which their living depends.
- ✿ Full cost usage fees for access to common property resources.

So what would enterprise ownership look like under an economic democracy?

Sole proprietorships or partnerships may be suitable for firms in the range of twenty or so people. Cooperative or public enterprise forms are appropriate for larger firms—particularly those responsible for natural monopolies like power grids, sewage, waste removal, and landline communications. Most banking and insurance companies are also best organized as cooperatives.

Corporations, which are purely creations of human law, bear special mention here, because their legal structure allows a group of human individuals to act as if a single person—much like a living superorganism.

Corporations take many forms. They can be local, national, or global. They can be for-profit, nonprofit, or cooperative. They can be government entities like a city or a public utility. The shares of a for-profit corporation may be privately held or publically traded and may be owned by a living person or by another corporation.

For-profit corporations, that organize as pools of money and value life only for its market price, are the most problematic corporate form. They recognize no attachment to a living community, privatize gains, socialize losses, and exempt decision makers from personal liability for the consequences of reckless and irresponsible actions.

Such corporations mimic cancers and have no place in a healthy human society. They need to be broken up over time, and the resulting independent businesses



either be dismantled if they serve no beneficial purpose, or be restructured as worker and community owned cooperative enterprises.

Cooperatives may generate a profit, but if they are true to the principles of cooperative enterprise, their primary purpose is to serve their members. They may indeed organize as living communities, in which service to members takes priority over profit. Such enterprises are essential to democracy and living economies.

As proposed by Tim McDonald and John Fullerton, pension funds, the endowment funds of foundations, and other public interest endowment funds may hold a key to this transformation.¹² Responsible for trillions of dollars of financial assets, they have the means to buy large corporations, hold them accountable to the public good, and gradually convert them to cooperative forms.

How are public and private investment decisions made?

As a general principle, those who bear the greatest risk should have the ultimate say—particularly those who bear the risk of harm to health, employment, and the environment. This becomes much easier to the extent that decisions are in the hands of people who feel deep connection to their community of place and the natural systems that sustain it.

What is the role of private profit and the profit motive? Who owns and controls economic surplus?

It is an inherent contradiction to assume that an economic system structured and managed to maximize financial returns to money can organize toward democracy, shared prosperity, and a balanced human relationship with Earth's living systems.

The whole concept of an investment return needs to be redefined in line with the concept of a living return articulated some years ago by Judy Wicks, a socially responsible entrepreneur in Philadelphia and leader of the local economies movement. Wicks notes that a person who invests responsibly in their own local community does so with the expectation of receiving tangible environmental and social benefit returns, as well as a modest financial return sufficient to provide their means of living.¹³ This is a total living benefit or return.



The same principle can be applied to those employed by such firms. Part of their compensation is a wage or salary. They also gain the benefit of rewarding work, contributing to a team effort, and living in a social- and environmentally-rich community.

Financial rewards should reflect contribution, but no one creates real value wholly on their own. And no one is entitled to income or assets significantly beyond any reasonable personal need at the expense of the ability of others simply to live. We all enjoy healthier, happier lives when the surplus is equitably shared.

What is the role of the market for goods and services? For employment? Other?

The basic organizational frame is a nested holarchy of bioregions that are substantially self-reliant in meeting most of their needs through their own labor and environmental resources.

Markets in which people exchange goods and services using barter or some token of exchange (money) in a physical location have been a feature of human societies for many thousand of years. They are an essential and beneficial facilitator of human self-organization.

Authentic market economics—in contrast to contemporary market ideology—identifies a number of conditions essential for optimal market function. These conditions include: (1) buyers and sellers must have full information; (2) there are no trade secrets; (3) the full cost of producing and using the good or service must be included in the buyer's price; and (4) no buyer or seller can be big enough to influence the market price. In other words, there must be no monopoly power. Local markets, that approximate these market conditions, are a central feature of living economies, as are any markets that approximate these stipulated conditions.

A living economies transition will also support a substantial restoration of self-reliant household production relating to such things as food production and preparation and household maintenance. And, it will feature significant voluntary gift exchange among nearby neighboring households that involve a form of unpaid self-employment.



These are all existing trends at the margins of the current economy that are diminished to forced servitude to money. As they take hold, dependence on money decreases and GDP, which measures only financial exchange and ignores household production for self-use, decreases. I will say more about this later.

What is the role of planning in your model? How is it structured? How, if at all, is it made democratic?

Nature's living communities self-organize and evolve through highly decentralized local exchange among trillions of choice-making organisms, in response to local circumstances, with no equivalent of what we call money. We are unaware of any instrument of central planning in a nonhuman living system. Decision-making is adaptive and local in response to local circumstances. This is sufficient for the living system to maintain local balance and optimize both local and global functions.

The ideal for a living human economies system is to approximate this process. We humans, however, suffer the disability of 5,000 years of experience organizing under systems of imperial domination. This has impaired our natural ability to recognize that we survive and prosper individually only as responsible members of caring communities. Furthermore, our numbers, the complexity of our interdependent relationships, and the power of our technologies present challenges that far exceed our current capacities for autonomous self-organization. For the foreseeable future, we will need mutually agreed upon systems of institutions and enforceable rules, that set mutually agreed boundaries on our choices as individuals, communities, and nations. They will need to be as democratic and localized as we can manage.

This is consistent with the organizational principle of subsidiarity, which calls for making decisions at the lowest practicable system level. Within this frame, higher system levels establish boundaries for adaptive decision making at subordinate levels based on desired outcomes.

In a planetary system of local living economies, a primary function of governance at higher system levels is to secure the integrity of self-reliant bioregional economies, by prohibiting one bioregion's people and institutions from expropriating



labor and resources of another bioregion's, in order to consume beyond the means of their own generative capacity.

How are the international economy and economic integration handled? Where is the primary locus of economic life?

Self-governing, bioregionally-defined communities are the primary locus of economic life in the living economies system. Each such community measures its economic performance by growth in the sustainable yield of their region's real capital (social, human, environmental, knowledge, and infrastructure), consistent with their needs and desires. Regions freely share knowledge and technology with their neighbors. To the extent that they have surplus production, due to some natural advantage, they trade it for the natural surplus of their neighbors in balanced exchange.

Because ownership is local to each bioregion, and each bioregion is largely self-reliant in meeting its own needs for goods and services using its own labor and resources, the people of each bioregion control their own destiny. The resulting local control supports local, democratic self-governance and provides a natural incentive to maintain the health and generativity of their own social, human, environmental, knowledge, and infrastructure resources. Because there is minimal dependence on the resources and markets of others, neighbors can live in peace with one another. A substantial reduction in the movement of physical goods reduces energy use.

The underlying system model is wholly at odds with the currently prevailing "free" market or "free" trade ideology. It is wholly consistent with the market and trade theories of Adam Smith and David Ricardo.

The prevailing free market or free trade ideology makes practical sense only if the goal is a global economy ruled by global corporations intent only on maximizing profits. It makes no sense if the goal is a global economy that supports prosperous, democratic self-governing living communities.

Just as the drive to substitute democracy for monarchy led monarchists to embrace the corporation as their alternative institution of choice, the drive to end



colonialism led contemporary oligarchs to remove national borders as barriers to the globalization of corporate rule.¹⁴ The World Bank led the way by encouraging newly liberated former colonies to borrow foreign exchange to finance economic development projects. From 1970 to 1980, the long-term external debt of low-income countries increased from twenty-one billion dollars to one hundred and ten billion dollars. That of middle-income countries rose from forty billion dollars to three hundred and seventeen billion dollars. Meanwhile, interest rates soared and borrowing countries had to take out new loans to repay the one's that came due.¹⁵

It soon became evident that widespread default was imminent. The World Bank and the International Monetary Fund then teamed up to serve as the international system's debt collectors. They imposed "structural adjustment" prescriptions on country after country that opened their economies to control by global corporations and foreign financial interests—the new imperialism.

In the 1990s, the forces of corporate rule turned to international trade agreements as the preferred instrument to extend their power beyond the reach of democracy. The United States, under the administration of Democratic President Bill Clinton, led the way. Their first success was the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico, put in place on January 1, 1994. With the Clinton administration again in the lead, the World Trade Organization followed on January 1, 1995. A host of agreements modeled on NAFTA followed.

The presidency of Republican George W. Bush that followed Clinton favored the exercise of military power over the use of international agreements to extend America's imperial reach.

President Barack Obama followed Bush. He restored Clinton's use of international economic agreements to consolidate global corporate rule at the expense of democracy by making the Trans Pacific Partnership (TPP) agreement among twelve Pacific nations, accounting for 40 percent of the world's GDP, a defining priority of the final years of his administration.



For whatever reasons, all three administrations chose to advance imperial rule over democracy and politicians. It has become a divisive issue among both Republican and Democratic parties. The forthcoming ratification vote in Congress presents a political litmus test separating politicians from both parties between those committed to democracy and those committed to corporate rule.

Nancy Pelosi, Minority Leader of the United States House of Representatives has called for a new paradigm for international economic agreements. The first step in this direction was taken some years ago by the International Forum on Globalization (IFG), an informal alliance of activists who led the global opposition to NAFTA style free trade agreements that erupted in the historic Seattle World Trade Organization protest in 1999. Its members identified the “Essential Rules of a Just and Sustainable International Trade and Finance System” in their ground breaking book edited by John Cavanagh and Jerry Mander, *Alternatives to Economic Globalization: A Better World Is Possible*.¹⁶ It is time to reactivate the work that the IFG began.

In sharp contrast to corporate rights agreements like NAFTA and the TPP, new paradigm living economies agreements will limit the size and power of global corporations, support economic democracy, and align economic systems with the foundational principles of local community-based markets and mutually beneficial, balanced trade relations. I consider spelling out suggested provisions to be a high priority for progressive movements leading the system transformation. We are far from having the political momentum to advance such agreements, but spelling out the alternatives and the reasons for them is essential if we are to gain any control over the debate.

How do economic competition and cooperation play out?

Cooperation is the dominant mode of interaction. Competition is for excellence, not survival.

Do commodification, commercialization, and the commons surface in your analysis?

I speak often of the monetization of human relationships that were previously



based on mutual caring. Commodification, commercialization, and privatization of the commons are foundations of the process we must now reverse.

I more often use the term *common heritage resources* than the term *commons*. I find it more descriptive. The meaning, however, is essentially the same. Because none of us created our common heritage resources, I suggest we are all equally entitled to share in them as a birthright. The right to share comes with a responsibility to care for and maintain them for the equal or greater benefit of those who come after us.

How is private property handled in your analysis?

I commonly note that private property is a good thing, such a good thing that everyone should have some. The deeper message is that private property is a foundation of economic democracy, which is a foundation of political democracy.

No one, however, has a right to more property than required to maintain a reasonable and adequate means of living through their own labor, so long as others remain without a reasonable and adequate means of living. Except for the elderly and disabled, we should all be expected to live primarily by the fruits of our labor, rather than by the collection of rents on assets we ourselves have not created.

I believe we need to significantly rethink how we deal with the privatized commons and update our approach to property rights, given the special need of our time to assure the health and integrity of natural systems on which we all depend. Property rights attached to the commons properly come with corresponding responsibilities.

What mix of business enterprise sizes do you envision? How do you envision the future of the large corporation and what specific measures do you envision for corporate governance and control, internal and external?

By the underlying principles of free market ideology, larger is always presumed to be better, unless someone makes a compelling case to the contrary. By the underlying principles of classical market theory, smaller is presumed to be better, in the absence of a compelling case to the contrary. As noted earlier, Adam Smith



was inclined to view any firm larger than one person as a step toward antimarket monopoly power.

As noted above, smaller firms in a living economy are appropriately organized as sole proprietorships or partnerships. Larger firms are best organized as cooperatives or public enterprises.

The only valid reason for a government to issue a corporate charter is to serve a public purpose. There is no constitutional guarantee of the right to possess a government-issued corporate charter. And, there is no reason why a corporation should have an inherent right to do business in any jurisdiction, other than the one in which it is chartered. As is expected of any natural born living person, corporations are properly expected to play by the rules of the jurisdiction within which they do business. If a corporation chartered in one state or nation wants to establish operations in another state or nation, then it properly applies to that state for the privilege of doing so. This need not be a barrier to two independent businesses chartered in different states or countries doing business with one another, so long as each is playing by the rules of its jurisdiction.

There was a time in the United States when one corporation could not own another. That rule should be reinstated to limit the concentration of corporate power and the shielding of a parent corporation from the debts of a subsidiary under its control. It would also limit the ability of corporate holding companies to engage in shady legal and accounting maneuvers to avoid taxes and legal liability.

What role do you see for innovative corporate forms, coops, public enterprise, social enterprise, and public-private hybrids?

As I discuss elsewhere in this paper, there is need and room for a great deal of innovation in corporate forms that democratize ownership and link decision makers to the consequences of their decisions. We need many more options aside from the conventional for-profit, limited liability corporate form that currently drives us toward social and environmental collapse.

What is the evolution of the workweek (hours worked, say, per year)?



No one should need to work at paid employment more than forty hours a week to obtain an income sufficient to maintain a family with two children. Beyond this, I consider the hours worked to be an individual choice, as fits individual needs and preferences.

What is the envisioned future of organized labor?

The future of the labor movement is in worker ownership, not collective bargaining. I support the coop and union hybrid model proposed by Michael Peck, the US representative of the Mondragon worker cooperatives based in the Basque region of Spain. Under this proposal, firms are organized as worker owned cooperatives, with union-managed pensions and health insurance, and union participation in management decision making.

What are the roles of economic growth and GDP as a measure of growth in your system?

The choice of indicators for measuring economic performance is one of the defining distinctions between living economy and suicide economy models. GDP is a purely financial indicator. It treats monetization of gift exchange relationships and abandonment of home production—of food, childcare, meal preparation, and other essential goods and services—as positive economic gains. It also counts, as positive economic contributions, environmental cleanup costs and medical expenditures to deal with health conditions caused by unhealthy junk foods and toxic contamination. It is a bogus indicator of economic health.

As ecological economist Joshua Farley has suggested, we might better consider GDP to be a measure not of economic benefit, but rather of the economic cost of producing a given level of human well-being.¹⁷ We may expect that the transition to a living economy will result in a decline of GDP, as conventionally measured.

The performance measures appropriate to a living economy center on nonfinancial indicators of improvements in the health and well-being of people, families, communities, and nature.



A critical issue in dealing with the transition is that the design of the current system nearly guarantees economic collapse if the economy is not growing. This is the consequence of a combination of two design flaws in the old system:

1. **A debt-based money system combined with a one-way flow of interest from those who pay interest to those who receive it.** Money is created in a debt-based money system when banks lend money. The banks, however, create only the principal. They do not create the interest the borrower must pay along with repayment of the principal. Thus, unless the economy grows fast enough to create sufficient new debt to create the money required to make the payments due on previous borrowing, there is an inevitable default and the money system collapses. This problem becomes most severe in a society in which many people are forced to borrow for consumption to meet basic needs. In this instance, interest payments all flow one way. This problem does not arise in an equitable society with cooperative banks, in which borrowing is only for investment or to meet temporary needs for cash, and individuals rotate between borrower and lender roles as the interest keeps recycling.
2. **The benefits of productivity gains (reduction in the need for labor) go only to the shrinking owning class as increased profit.** The economy must then grow fast enough to create enough new jobs to employ the workers whose jobs are eliminated by the productivity increase. The problem is eliminated if the benefits of productivity gains are shared with workers in the form of more leisure time. Under the current system, the owning class gets the increased profit. The working class loses the jobs. To avoid increasing unemployment, the money economy has to expand at a sufficient rate to create new jobs, both to offset population growth and the loss of jobs due to productivity increases.

If these two system design flaws are corrected and population is stable, there is no imperative for GDP growth. The imperative for growth is mainly a consequence of inequality, which is in turn a product of GDP growth in a system in which profits grow and wages don't.



How is money created and allocated?

The system of well-regulated, locally-rooted, and accountable financial institutions that we had prior to the 1970s provides a reasonable first approximation of the money creation and management system we must now create. In this system, local financial institutions provide the communities they serve with a capacity to mobilize financial resources, in response to local needs and opportunities, by aggregating local savings and directing them into productive investments.

I deal with this in detail in the New Economy Working Group report *How to Liberate America from Wall Street Rule*.¹⁸ To create a healthy system of money creation and allocation, the current banking system must be restructured to limit its function to basic banking.

This will require rebuilding the money and banking system from the bottom up, as a well-regulated community-accountable public utility. Necessary measures include restoring tax and regulatory rules that: 1) restrict bank size, 2) limit public guarantees and subsidies to financial institutions engaged exclusively in performing basic banking functions, and 3) render extractive finance illegal or unprofitable.

The normal process by which the banking system leverages reserves to expand credit creation can give communities the ability to create financing beyond their own savings, in response to local needs and opportunities. As Wall Street demonstrates, this capacity can be horribly abused in the absence of adequate regulations and oversight. With proper transparency, public oversight, restrictions on bank size, and a preference for cooperative ownership of banking institutions, it can be a powerful and beneficial community tool for building vibrant local economies.

A central bank, responsible for money supply management, is essential to any modern economy. The Federal Reserve fulfills this function for the United States. It has the power to create money by the trillions of dollars with a few computer keystrokes and to direct those dollars to the beneficiaries of its choosing. Under current rules, it does so with no public accounting or oversight. It considers its primary mandate to be assuring the solvency and profitability of Wall Street's megabanks. It is a badly misplaced priority given that these banks are managed to maximize the compensation packages of their top managers, who



acknowledge no obligation or commitment to serving the public interest of the United States and its people.

That said, there is an essential need for a transparent and publicly accountable national central bank, with a substantial degree of political independence, to manage the money supply and oversee banking functions.

The following recommendations are adapted from a proposal spelled out by William Greider in “Dismantling the Temple,” which appeared in *The Nation*.¹⁹

- ✿ Reorganize the Federal Reserve to function as a true independent federal agency, subject to strict standards of transparency, public scrutiny, audit by the General Accounting Office, and Congressional oversight. As is currently the case, it would function under a board of governors appointed by the President and confirmed by Congress. And, it would continue to be responsible for managing the national money supply to maintain full employment and the value of the currency.
- ✿ Relieve the Federal Reserve of its regulatory function and, instead, assign the responsibility for regulating commercial banks, as well as the “shadow banking system” of hedge funds, private equity firms, and others, to a new regulatory agency established for this specific purpose.
- ✿ Instruct the restructured Federal Reserve that when it identifies a need to expand the money supply, rather than directing newly created money to Wall Street banks, the funds will be transferred to the account of a newly-created Federal Recovery and Reconstruction Bank. This newly-created bank would in turn allocate them to Congressionally-approved green infrastructure projects under provisions that favor local contractors and suppliers who hire local workers and procure locally.

In contrast to the current Federal Reserve practice of channeling money to Wall Street megabanks, at near zero interest rates, to finance speculation and the inflation of asset bubbles, the money this proposal directs to building essential



infrastructure would flow directly to local contractors, suppliers, and construction workers as local wages and profits. The recipients would use the money to make mortgage payments, put food on the table, pay off credit card debt, meet payroll, and pay taxes. New tax revenues would flow into governments to fund public programs, and new deposits would flow into the banking system at the bottom, to fund home ownership and local business.

Creating money to generate employment through infrastructure investment in a bottom-up economy with large-scale unemployment and unutilized productive capacity is not inflationary and need not add a penny to the federal deficit or to the burden on taxpayers. If only three to four trillion dollars of the twelve trillion dollars in keystroke money, created by the Federal Reserve following the 2008 crisis as economic stimulus, had been expended to build an energy efficient green physical infrastructure, we would now have a booming national economy and be on our way to securing the future of our children.²⁰

Some Specifics: Society

How do you envision the future course of income and wealth inequality? What factors affect these results? How do you envision the future course of economic poverty? What factors affect these results?

As outlined in the opening sections, broad and equitable participation in ownership is essential to democracy and a viable human future. Ideally, each person has an ownership stake in the assets from which they make their living—including their source of shelter. The barriers to redistribution posed by the existing system are enormous, as outlined throughout this paper. Most of the required system reforms mentioned previously support progress toward greater equality.

Are special measures envisioned to protect and enhance children and families? To advance the underprivileged? To promote care-giving and mutual responsibility?

The central task in most of the previous discussion is to rebuild the relationships of caring families and communities.



How do racial, ethnic, and religious justice figure in your work? What role do gender and gender issues play in your work?

The champions of empire have, for 5,000 years, advanced their cause through divide-and-conquer strategies designed to pit racial, ethnic, and religious groups against one another and draw their attention away from an inherently unjust system designed to keep a majority of people in a condition of subordination and servitude.

We must now move ahead as one people to dismantle and replace the unjust and suicidal system to the benefit of all. It requires that we all are deeply aware of the system's many injustices, while moving beyond identity politics. The most powerful and effective leaders in the transition will likely be individuals who experience oppression first hand and step forward to provide leadership to the whole movement, devoted to dismantling and replacing the unjust system.

Do you envision a change of values, culture and consciousness as important to the evolution of a new system? If so, how do these changes occur?

That is the defining theme of much of my work and my most recent book *Change the Story, Change the Future*. See the above discussion of the “Living Earth Story” and “Theory of Change.” A cultural awakening is underway. The story that we humans are living beings born of a living Earth, itself born of a living universe, lives in the human heart, but is actively suppressed by the contemporary institutions of cultural reproduction. We need only affirm it to unleash its transformational energy.

What are the roles of the consumer, consumerism, and advertising in the system you envision? Self-provisioning? Sharing, renting, and bartering?

I envision a significant decline in consumption for its own sake and advertising devoted to promoting it. I envision a significant growth in self-provisioning, sharing, renting, and bartering that which we use only occasionally. I envision an increase in home ownership and a decline in home rental. I have proposed eliminating the ability of firms to deduct, as a business expense, the costs of advertising beyond providing consumers basic information on product specifications and availability.

How do “leisure” activities—including volunteering, care-giving, continuing learning—figure in your work?



As we demonetize relationships and reduce dependence on paid work, there will be more time for personal, family, and community activities that serve real needs and, in many instances, simultaneously enhance the true quality of life.

Some Specifics: Environment

If your system addresses environmental concerns, how do you conceptualize “the environment”? Do you envision the economy as nested in and dependent on the world of nature and its systems of life?

The idea that the human economy is nested in and dependent on the world of nature and its systems of life is the foundational starting point for the living economies system model, as I have indicated throughout this paper. Properly perceived, the human economy is the cultural and institutional system that shapes and mediates our individual and collective exchanges with the rest of the superorganism, of which we are a part.

Do you address a rights-based environmentalism (e.g. right to clean water) and the idea that nature has legal rights? Do we have duties to other species and living systems? Are any of your goals non-anthropocentric?

This is a major theme throughout my work and the overall living economies frame presented in this report.

Do you envision addressing environmental issues outside the current framework of environmental approaches and policies (e.g. by challenging consumerism, GDP growth, etc.)?

It is a foundational premise of my work that the economy must work with, rather than in extractive opposition to, nature. I address GDP as a bankrupt indicator that should be abandoned except as an indicator of the economic costs of achieving a given level of human well-being.

How do you handle environment-economy interactions, trade-offs, and interdependencies?

Earth is our sacred mother, the source of our birth and nurture. We have no existence without her. Her health and integrity are paramount and must be held inviolate, no matter how much money her violation might yield us.



How do you address transnational and global-scale environmental challenges?

If local biosystems are in balance, the global biosystem is in balance. This is why we need a global framework that supports local balance—the exact opposite of the rules advanced by NAFTA, the TPP, and other international agreements that strip people, communities, and governments of the right and means to achieve and maintain local ecological balance, shared prosperity, and living democracy.

Some Specifics: Polity

To what degree would your proposed model require Constitutional change? What specifically might be required or recommended?

My proposed model requires a deep rethinking of property rights and likely the commerce clause—along with recognition that the rights of Earth as a living organism ultimately take priority over human rights. Because, without nature, there are no humans; just as without humans there are no corporations. This rethinking needs to address the basic reality that nature does not recognize human property rights and property boundaries. The US Constitution in no way addressed this anomaly.

The biggest constitutional issues, however, are not with the Constitution itself, but rather with the distortions introduced by a politicized corporatist Supreme Court's failure to make a proper distinction between the rights of living persons and those of corporations. This is a direct and egregious assault on democracy and the Constitution.

Does your model have anything to say about liberty and how it may or may not relate to the design of your model? And how, specifically, is liberty nurtured and protected?

We need a clear distinction between human liberty and corporate liberty, and recognition that more liberty for corporations means less liberty for people. The existing economy reduces the majority of people to some combination of wage and debt slavery, which is a serious denial of liberty.

In general, we in America subscribe to a rather shallow and immature loner-in-the-wilderness fantasy view of liberty without responsibility. This ignores



the basic reality that life exists only in community. No individual organism—human or otherwise—can create and maintain by itself the conditions of its own existence. Liberty without responsibility is an illusion. We humans are in fact genetically wired for cooperation as it is essential to our individual and collective survival.

There is no liberty without responsibility to, and for, the whole that sustains us. Indeed, the only way to nurture and protect the liberty of the individual is through our acceptance and willingness to act in the defense of the well-being of all.

How does your model address questions of political and institutional power?

The most fundamental distinction between the old and new system is that the old system concentrates power in financial markets and global corporations, which function beyond human control and accountability. The new system roots power in living communities.

How does your model deal with problems of scale? How much decentralization does it include for large systems? How would decentralization be structured?

Life flourishes by its finely tuned ability to adapt to its local circumstances, down to the tiniest organisms essential to the fertility of Earth's soil and the purity of Earth's water. Decision making in a living system is always local. Even in our own bodies, most of the decision making takes place at a microcellular level. We must learn to mimic life's natural processes. Human level systems must organize by the principle of subsidiarity, with higher system levels establishing a context for decision making at lower system levels, consistent with the needs of the whole, while leaving specific choices to local decision makers.

Does your work address issues of foreign policy, international relations, regional integration, military policy and spending, war and peace, i.e. the international context of the new system? If so, how?

These are all part of the larger frame of the historical analysis of the structures of empire and the domination of one people by another to expropriate their labor and natural resources. For the United States to play a constructive role in the world, we must own up to our long and often brutal history as an imperial nation.



As we learn to organize by self-reliant bioregions, that meet their needs largely within the limits of their own resources and engage in balanced trade with their neighbors for those things they cannot reasonably produce for themselves, we eliminate the imperial pattern of domination and expropriation. War becomes an obsolete institution. We can then reallocate, to the service of life, the massive resources now devoted to war and the destruction of life.

A crucial and obvious first step towards ending war is to stop the arms trade. This will be a massive blow to GDP and a massive benefit to life and the living economy, freeing real-wealth resources to support making a living rather than a killing.

At different political levels, what polity and what political conditions are implicit or explicit in getting to success?

Putting democracy and the rights and well-being of people and nature ahead of the rights of corporations is foundational. This has monumental implications for the negotiation and framing of international corporate rights agreements misleadingly labeled “trade” agreements.

Milton Friedman, among others, believed that only a crisis produced real change. Another old expression is that “good government is just the same old government in a helluva fright.” Do you examine crisis-driven political change and crisis preparedness?

That would suit Milton Friedman well. The very first article I published in a professional academic journal explored the psychological connection between fear and authoritarianism. When we organize around fear, we turn to authoritarianism—which is the exact antithesis of the spirit of community essential to a living economy.

When we organize around courage and a sense of common destiny, we turn to community as the solution to crisis. It is impossible to impose community by authoritarian mandate any more than you can impose democracy by military force. We must create conditions that facilitate the natural processes of community building, in the place of current conditions that suppress these natural processes.



How central is government in the future you envision, both in getting there and staying there?

The stronger the relationships of community, the less the need for the formal control structures of government. A primary need of the moment, however, is to use the power of government to curb the power of corporations, clean up the messes that corporations create, and facilitate natural processes of community building.

Government is currently failing at all three for an evident reason. Global corporations control the political process and thereby control government. Most politicians, irrespective of party affiliation, are complicit as demonstrated by the current bipartisan support for the TPP.

Establishment interests are gaming the political system. They support Democrats who blame corporations for our problems. They support Republicans who blame government. We, the people, line up on one side or the other and are so focused on the opposing party as villain, we fail to notice the extent to which corporate power and government power are unified in the cause of corporate rule, through the oligarchy's control of money, markets, politics, and media.

In the system you write about, what are the appropriate levels of government expenditure or government as a share of the economy and how are these levels achieved?

They are so closely intertwined I'm not sure it is a meaningful question and I don't believe that it is either possible or relevant to presume to prepare a budget for the next system while we are still in the process of defining it.

Do you envision social movements as important in driving political change and action? If so, can you elaborate on how this happens?

The change can only happen through the leadership of social movements. (See my discussion in the section on the theory of change.)

Real-World Examples, Experiments and Models

Are there specific real-world examples or experiments you can point to that embody your model or system or exemplify important elements of your approach?



Most examples are still relatively small scale. They touch on everything. And they are countless in number. I have devoted much of my energy over the past twenty years to building *YES!* Magazine in my role as co-founder and board chair specifically to gather and communicate promising examples. See the website (<http://yesmagazine.org>) for hundreds of examples.

*For early treatments of the framework presented in this report see Chandra de Fonseca, Sunimal Fernando, David Korten, Tony Quizon, Sixto Roxas, Bishan Singh, and Felix Sugirtharaj, "Economy, Ecology & Spirituality: A Theory and Practice of Sustainability," Living Economies Forum: The Online Home of David Korten, 1993, <http://livingeconomiesforum.org/economy-ecology-spirituality>; David Korten, Nicanor Perlas and Vandana Shiva, "Global Civil Society: The Path Ahead," Living Economies Forum: The Online Home of David Korten, November 20, 2002, <http://livingeconomiesforum.org/global-civil-society>; and John Cavanagh and Jerry Mander, eds., *Alternatives to Economic Globalization* (San Francisco, CA: Berrett-Koehler Publishers, 2004) [a report of the International Forum on Globalization co-authored by 23 IFG members].*

*For further development of the ideas presented in this report, see my various books of the past twenty years: *When Corporations Rule the World* (1995, 2001, 2015); *The Post-Corporate World: Life after Capitalism* (1999); *The Great Turning: From Empire to Earth Community* (2006); *Agenda for a New Economy: From Phantom Wealth to Real Wealth* (2009, 2010); and *Change the Story, Change the Future: A Living Economy for a Living Earth* (2015).*

Notes:

- 1 "Breaking the Camel's Back," *The Economist*, October 4, 2014, <http://www.economist.com/news/finance-and-economics/21621908-what-impressive-work-economic-history-tells-you-about-inequality-breaking>
- 2 Thomas Berry, *The Dream of the Earth* (San Francisco, CA: Sierra Club Books, 1988), xi.
- 3 David C. Korten, *Change the Story, Change the Future: A Living Economy for a Living Earth* (Oakland, CA: Berrett Koehler, 2015).
- 4 Robert L. Nadeau, *Rebirth of the Sacred: Science, Religion, and the New Environmental Ethos* (New York: Oxford University Press, 2013), chapter 7.
- 5 See *Center for New Economic Thinking*, <http://ineteconomics.org/>
- 6 See *International Student Initiative for Pluralism in Economics*, <http://www.isipe.net>



- 7 See *Economics for the Anthropocene*, <http://e4a-net.org/>
- 8 Marjorie Kelly, *The Divine Right of Capital* (San Francisco, CA: Berrett-Koehler Publishers, 2001).
- 9 See “Rights of Nature Articles in Ecuador’s Constitution,” *The Rights of Nature*, <https://therightsofnature.org/wp-content/uploads/pdfs/Rights-for-Nature-Articles-in-Ecuadors-Constitution.pdf>
- 10 See Community Environmental Legal Defense Fund, “U.S. Communities,” <http://celdf.org/join-the-movement/where-we-work/u-s-communities/>
- 11 Edwin Cannan, ed., *An Inquiry into The Wealth of Nations by Adam Smith* (New York: The Modern Library, 1937), 128.
- 12 See Capital Institute, “Evergreen Direct Investing: The Field Guide to Investing in a Regenerative Economy,” no. 5, <http://fieldguide.capitalinstitute.org/evergreen-direct-investing.html>
- 13 Judy Wicks, “Local Living Economies: The New Movement for Responsible Business” (Bellingham, WA: Business Alliance for Local Living Economies, 2003).
- 14 For a more detailed treatment, see David C. Korten, *When Corporations Rule the World* (Oakland: Berrett-Koehler Publishers, 2015), especially Chapter 12 “Adjusting the Poor,” and Chapter 13 “Guaranteeing Corporate Rights.”
- 15 *World Debt Tables 1992-93: External Finance for Developing Countries* (Washington, D.C.: World Bank, 1992), 212.
- 16 John Cavanagh and Jerry Mander, eds. *Alternatives to Economic Globalization: A Better World Is Possible* (San Francisco; Berrett-Koehler, 2004), 309-314.
- 17 Herman Daly and Joshua Farley, *Ecological Economics Principles and Applications* (Washington D.C.: Island Press, 2004), 266.
- 18 David C. Korten, “How to Liberate America from Wall Street Rule,” *New Economy Working Group*, July 2011, <http://www.yesmagazine.org/pdf/liberateamericadownload.pdf>.
- 19 William Greider, “Dismantling the Temple: How to fix the Federal Reserve,” *The Nation*, July 15, 2009, <http://www.thenation.com/article/dismantling-temple/>
- 20 Korten, “How to Liberate America from Wall Street Rule,” 31.



About the Author: David Korten

The beliefs and insights presented in this report are the product of three related and overlapping sets of life experience: twenty-five years as a student, professor, researcher, and advisor in business management; thirty years working in international development (twenty-one of them living abroad in Africa, Asia, and Latin America), and twenty years studying and engaging in public education and movement building aimed at ending corporate rule and bringing forth a new economy grounded in living system principles. Each set of experiences involved a combination of direct experience, study, and countless exchanges with friends and colleagues of many nations and backgrounds.

My passion to address the causes of global poverty began in my senior year at Stanford University in 1959, with a decision to devote my life to bringing the secrets of US business success to the rest of the world through management education. In the late 70s and through the 1980s, I focused on the significant difference between community-based versus top-down approaches to meeting development needs. I was engaged with the International Committee on Management of Population Programs, the Management Institute's Working Group, the Asian NGO Coalition (ANGOC), the Society for International Development, and *World Development* journal. By 1990, after 30 years of working with and in the international aid system I had become a leading critic of conventional development policies and aid programs.

In the 1990s, I became involved at the leading edge of an emerging global resistance against international agreements that were driving a consolidation of global corporate rule at the expense of democracy, people, and nature and organized a network of intellectual activists engaged in the search for alternatives. I was active in the NGO forums at the 1992 United Nations Conference on Environment and Development (UNCED) and other major UN conferences and participated in founding the People-Centered Development Forum (now the Living Economies Forum), the International Forum on Globalization (IFG), *YES! Magazine*, the Business Alliance for Local Living Economies, and the New Economy Working Group. These engagements connected me with hundreds of organizations at the forefront of challenging every aspect of conventional economic thought.



New Systems: Possibilities and Proposals

Truly addressing the problems of the twenty-first century requires going beyond business as usual—it requires “changing the system.” But what does this mean? And what would it entail?

The inability of traditional politics and policies to address fundamental U.S. challenges has generated an increasing number of thoughtful proposals that suggest new possibilities. Individual thinkers have begun to set out—sometimes in considerable detail—alternatives that emphasize fundamental change in our system of politics and economics.

We at the Next System Project want to help dispel the wrongheaded idea that “there is no alternative.” To that end, we have been gathering some of the most interesting and important proposals for political-economic alternatives—in effect, descriptions of new systems. Some are more detailed than others, but each seeks to envision something very different from today’s political economy.

We have been working with their authors on the basis of a comparative framework—available on our website—aimed at encouraging them to elaborate their visions to include not only core economic institutions but also—as far as is possible—political structure, cultural dimensions, transition pathways, and so forth. The result is two-dozen papers, to be released in small groups over the coming months.

Individually and collectively, these papers challenge the deadly notion that nothing can be done—disputing that capitalism as we know it is the best and, in any case, the only possible option. They offer a basis upon which we might greatly expand the boundaries of political debate in the United States and beyond. We hope this work will help catalyze a substantive dialogue about the need for a radically different system and how we might go about building it.

James Gustave Speth, Co-Chair, Next System Project

Visit thenextsystem.org to learn more.