

When Corporations Rule the World

David Korten 1995 (revised 2001)
Summary Outline by Bruce Weston

Author's Text
My Paraphrase

Underline means important term

Prologue

Korten opens by giving his background, which included fourteen years with the Ford Foundation in Southeast Asia and eight years as a senior advisor on development at the U.S. Agency for International Development. What he observed of the poverty of the people, the degradation of the environment and the greed of the corporations awakened him to the problems that are the subject of this book. These problems are primarily due to a 500 percent increase in economic output since 1950.

To reestablish a sustainable relationship to the living earth, we must break free of the illusions of the world of money, rediscover spiritual meaning in our lives, and root our economic institutions in place and community. . . . Consequently, we concluded that the task of people-centered development in its fullest sense must be the creation of life-centered societies in which economy is but one of the instruments of good living. . . . Because our leaders are trapped in the myths and the reward systems of the institutions they head, the leadership in this creative process of institutional and values re-creation must come from within the civil society. (16)

From our vantage point in Asia we have watched in horror as the same policies the United States has been advocating for the world have created a Third World within its own border as revealed in its growing gap between rich and poor, dependence on foreign debt, deteriorating educational systems, rising infant mortality, economic dependence on the export of primary commodities . . . indiscriminate dumping of toxic wastes, and the breakdown of families and communities. (18)

Those who bear the costs of the system's dysfunctions have been stripped of decision-making power and remain confused about the cause of their distress because the corporate-dominated media incessantly bombards them with **propaganda** . . . An active propaganda machine controlled by the world's largest corporations constantly reassures us that consumerism is the path to happiness, governmental restraint of the market is the cause of our distress, and corporate globalization is both a historical inevitability and a boon to the human species. In fact, these are all myths propagated to justify profligate greed **by masking the fact that this is** . . . an international intervention of a small elite whose money enables them to live in as world of illusions apart from the rest of humanity. (22)

Korten is not opposed to the free enterprise system, which has been active for at least two centuries, but to the forces which have transformed once-beneficial corporations and financial institutions into instruments of a market tyranny that reaches across the planet like a cancer As our

economic system has detached from place and gained greater dominance over our democratic institutions, even the world's most powerful corporations have become captives of a globalized financial system that has delinked the creation of money from the creation of real wealth and rewards extractive over productive investment. The big winners are the corporate raiders who strip sound companies of their assets for short-term gain and the speculators who capitalize on market volatility to extract a private tax from those who are engaged in productive work and investment. . . (22). The problem is not business or the market per se but a badly corrupted global economic system that is gyrating far beyond human control. . . . It is within our means, however, to reclaim the power that we have yielded to the institutions of money and recreate societies that nurture cultural and biological diversity. . . Millions of people throughout the world are already acting to reclaim this power . . . (23).

When Corporations Rule the World outlines a citizen's agenda to enhance these efforts by getting corporations out of politics and creating localized economies that empower communities Having reached the limits of the materialistic vision of the scientific and industrial era ushered in by the Copernican Revolution, we are now on the threshold of an ecological era called into being by an Ecological Revolution grounded in a more holistic view of the spiritual and material aspects of our nature (23-24).

Part I Cowboys in a Spaceship

Ch 1 "From Hope to Crisis" (27-32) **Establishes the ecological aspect of this book.**

The last half of the twentieth century has been perhaps the most remarkable period in human history. . . . **(Lists technological achievements)** The same period saw the creation of the first consequential institutions of global governance: the United Nations, the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade (GATT) Global economic output expanded from \$6.4 trillion in 1950 to \$35.5 trillion in 1995 (in constant 1997 dollars.) Yet the things that most of us really want . . . seem to slip further from the grasp of most of the world's people with each passing day. . . . We find a profound and growing suspicion among thoughtful people the world over that something has gone very wrong. . . .

In rich and poor countries, as competition for land and natural resources grows those people who have supported themselves with small-scale farming, fishing, and other resource-based livelihoods find their resources are being expropriated to serve the few while they are left to fend for themselves. Small scale producers--farmers and artisans--who were once the backbone of poor but stable communities are being uprooted and transformed into landless migrant laborers. . . . **Korten gives statistical evidence from many aspects of our lives to show how bad things have gotten.** Taken together these manifestations of institutional systems failure constitute a threefold global crisis of deepening poverty, social disintegration, and environmental

destruction. Most elements of the crisis share an important characteristic: solutions require local action . . . Action can be taken only when local resources are in local hands.

Ch 2 "End of the Open Frontier" (28-42) **The problems we face because population is growing too large for our resource base.**

We ought, he says, to act as if we were astronauts on a spaceship rather than like cowboys in an environment where there is no need to limit what we do. Because of the more than fivefold expansion since 1950 the environmental demands of our economic system now fill the available environmental space of the planet. . . .

Most environmental stress is a direct function of human consumption. . . . Economic globalization has greatly expanded opportunities for the rich to pass their environmental burdens to the poor by exporting both wastes and polluting factories. . . . Japan has reduced its domestic aluminum smelting capacity from 1.2 million tons to 140,000 tons and now imports 90 percent of its aluminum.

Korten cites three studies about earth's carrying capacity. The Cornell research team concluded that the earth can sustain a population of one to two billion people consuming at a level roughly equivalent to the current per capita standard of Europe. To highlight the trade-off involved they posed a fundamental question: "Does human society want 10 to 15 billion humans living in poverty and malnourishment or one to two billions living with abundant resources and a quality environment?" **While Korten acknowledges that these studies are only approximations he states that in any case there is no way that just increasing economic growth can resolve our problems.**

Ch 3 "The Growth Illusion" (43-56) **Attacks the view that growth is the answer.**

Perhaps no single idea is more deeply embedded in modern political culture than the belief that economic growth is the key to meeting most important human needs, including alleviating poverty and protecting the environment. **Korten cites the Irish economist Richard Douthwaite's 1989 study in which, after trying to use growth to solve problems, he reluctantly realized** "the unquestioning quest for growth has been an unmitigated social and environmental disaster. Almost all of the extra resources the process had created had been used to keep the system functioning in an increasingly inefficient way. The new wealth had been squandered on producing pallets and corrugated cardboard, non-returnable bottles . . . (etc)" **Korten adds that during the period of rapid productivity after 1950** the number of people living in absolute poverty has kept pace with the population: both have doubled. The ratio of the share of the world's income going to the richest 20 percent to that going to the bottom 20 percent poor has doubled. And indicators of social and environmental disintegration have risen sharply nearly everywhere. Although economic growth did not necessarily create these problems, it certainly has not solved them.

Using the rising GDP (Gross Domestic Product) to show that things are improving is misleading because of the way the GDP is figured. A major portion of what shows up as growth in the GDP is a result of . . . shifting activities from the non-money social economy of household and community to the money economy . . . depleting natural resource stocks . . . at far above their recovery rates: and counting as income the costs of defending ourselves against the consequences of growth such as disposing of waste, cleaning up toxic dumps (etc)

Korten briefly surveys how changes since the industrial revolution have affected the poor for better or worse and ties this in with the question of whether raising the total income of society really helps the poor.

In contrast to their experience during this early period of economic expansion, conditions for ordinary people in Britain improved from 1914, the year World War I began, through the end of World War II. . . As explained by Douthwaite, the wars made it politically necessary to control the forces of capitalism. The government introduced heavy taxes on top incomes and controlled wages. . . . The overall result was a massive shift toward equity. . . .

Following World War I a reduction of the workweek from fifty-four hours to forty-six or forty-eight hours to absorb the influx of returning military personnel kept unemployment low and wages high. Those without jobs were protected by the national employment insurance scheme introduced in 1911. Paid for by substantial taxes on high incomes, it systematically transferred income from wealthier taxpayers to those most in need.

World War II resulted in the same consequence for the poor. . . .

Similar patterns were experienced in the United States The imperatives of the depression of the 1930's and World War II galvanized political action behind measures that resulted in a significant redistribution of income and built the strong middle class that came to be seen as the hallmark of America's economic strength and prosperity.

The resulting structure of relative equity and shared economic prosperity remained more or less intact until the 1970s, when a combination of economic competition from East Asia, labor unrest, inflation, and a rebellious youth culture mobilized conservative forces to reassert themselves. An all-out attack on labor unions, social safety nets, market regulations, and trade barriers realigned the institutional forces of American society behind big money interests. In the 1970s and 1980s the percentage of working Americans whose wages placed them below the poverty line increased sharply and society became increasingly polarized between haves and have-nots . . . Korten points out that an increasing economy combined with these measures does make for real improvement in the lot of ordinary people but Without concurrent redistribution, an expanding pie brings far greater benefit to the already wealthy than to the poor.

Part II Contest for Sovereignty

Ch 4 "Rise of Corporate Power in America" (59-74) **This chapter identifies what a corporation is and presents a little of its history.**

Less widely recognized is the tendency of individual corporations, as they grow in size and power, to develop their own institutional agendas aligned with imperatives inherent in their nature and structure that are not wholly under the control even of the people who own and manage them. These agendas center on increasing their own profits and protecting themselves from the uncertainty of the market. . . .

Much of America's history has been shaped by a long and continuing struggle for sovereignty between people and corporations. **Korten traces this history especially the courts' changing approaches to corporations. He notes that from the civil war to the Roosevelt period Corporations were in the ascendancy. With Roosevelt they were kept under control, but with Nixon they gained back much of their power. Korten sees part of the reason for the drive of corporations to gain more power as a reaction against the hippie movement:** Perhaps most threatening of all was that the young were dropping out of the consumer culture . . . rebelling against the excesses of affluence. The election of Ronald Reagan as president in 1980 ushered in a concerted and highly successful effort to roll back the clock on the social and economic reforms that . . . made America the envy of the world and to create a global economy that was more responsive to U.S. corporate interests. **The success of the corporations in gaining more power rests in large part on their successful effort to identify corporate freedom with democracy in general. Another is that by their very nature corporations have very large financial resources.**

Ch 5 "Assault of the Corporate Libertarians" (75-92) **Identifies the ideology behind the problem**

In the quest for economic growth, free-market ideology has been embraced around the world with a near-religious fervor. . . . The economics profession serves as its priesthood. . . . And it restructures our institutions of governance in ways that make our most urgent problems more difficult to solve. Yet to question its doctrine has become heresy, invoking risk of professional censure and damage to ones career in most institutions of business, government, and academia. . . .

The beliefs espoused by free-market ideologues are familiar to anyone conversant with the language of contemporary economic discourse:

- Sustained economic growth, as measured by gross national product, is the path to human progress.
- Free markets . . . ; . generally result in the most efficient . . allocation of resources.
- Economic globalization achieved by removing barriers to the free flow of goods and money . . . is generally beneficial to almost everyone.

- Privatization, which moves functions and assets from governments to the private sector, improves efficiency, lowers prices, and increases responsiveness to consumer preferences.
- The primary responsibility of government is to provide the infrastructure necessary to advance commerce, maintain public order, and enforce contracts.

These beliefs are based on a number of explicit underlying assumptions. . .

- Humans are motivated by self-interest . . . quest for financial gain.
- The action that yields the greatest financial return to the individual or firm also yields the most benefit to society.
- Competitive behavior is . . . ultimately more beneficial for society.
- Human progress. . . (is) best measured by increases in . . . market value.

Korten responds:

A number of valid ideas and insights about markets have become twisted into an extremist ideology that raises the baser instincts of human nature to a self-justifying ideal. . . (Ultimately) the policies they advocate do not free trade, markets or people. Rather they free global corporations to plan and organize the world's economic affairs to the benefit of their bottom line without regard to public consequences. **Since the corporate libertarian ideology allegedly rests on the neo-classical economics of Adam Smith, Korten points out:**

It is ironic that corporate libertarians regularly pay homage to Adam Smith as their intellectual patron saint, since it is obvious to even the most casual reader of his epic work *The Wealth of Nations* that Smith would have vigorously opposed most of their claims and policy positions. For example, corporate libertarians fervently oppose any restraint on corporate size or power. Smith, on the other hand, opposed any form of economic concentration on the ground that it distorts the market's natural ability to establish a price that provides a fair return on land, labor, and capital: to produce a satisfactory outcome for both buyers and sellers: and to optimally allocate society's resources. **Adam Smith warned about the drive to monopoly, which is what globalization is largely about.**

True classical economics also specifies that for a market to allocate efficiently the full costs of each product must be born by the producer and be included in the selling price. Economists call it cost internalization. Externalizing some part of a product's cost to others not a party to the transaction is a form of subsidy that encourages excess production (**and otherwise interferes with the market mechanism as Smith envisioned it**). **Korten concludes this chapter:** Millions of thoughtful, intelligent people who are properly suspicious of big government, believe in honest and hard work, have deep religious values, and are committed to family and community are being deceived by the false information and distorted . . . logic repeated constantly in the corporate media. . . .

Ch 6 "Decline of Democratic Pluralism" (93-106) **How our balanced system was replaced by one that favors money power.**

Marxist socialism died an ignoble death. However, it is no more accurate to attribute the West's economic and political triumph to the unfettered marketplace that it is to blame the USSR's failure on an activist state. Contrary to the boastful claims of corporate libertarians, the West did not prosper in the post-World War II period by rejecting the state in favor of the market. Rather, it prospered by rejecting extremist ideologies of both Right and Left in favor of democratic pluralism: a system of governance based on a pragmatic, institutional balance among the forces of government, market, and civil society.

Driven by the imperatives of depression and war, America emerged from World War II with government, market and civil society working together in a healthier, more dynamic, and more creative balance than at any time since the pre-Civil War years. A relatively egalitarian income distribution created an enormous mass market, which in turn drove aggressive industrial expansion. America was far from socialist, but neither was it truly capitalist. We might more accurately call it pluralist . . . The America of democratic pluralism and equality defeated communism, not "free" market America. **This chapter points out some similarities of Communism and Big corporation rule and lists the six conditions that markets need for them to operate freely. These are: Fair Competition, Moral Capital, Public Goods, Full-Cost Pricing, Just Distribution and Ecological Sustainability.** The market produces socially optimal results only when government and civil society are empowered to act to maintain these six conditions. A healthy society is built on . . . three activities: civic, governmental, and economic. . . An active civic sector is the conscience of the society . . . and a counter to the abuse of power by governmental and economic institutions. . . . Government's distinctive competence is in reallocating wealth, not in creating it. The economic sector specializes in producing goods and services. . . . Markets are, however, ill equipped to set society's larger priorities. . . .

Contrary to popular myth, capitalist economies and market economies operate by different rules to different ends (The former) designed to concentrate control of the means of production in the hands of the few . . (The latter) as envisioned by Adam Smith and described by market theory are intended to facilitate the self-organizing processes by which people engage in production and exchange of goods and services. **A description of the fate of the Swedish system is found on pages 99-102.**

Ch 7 "Illusions of the Cloud Minders" (107-120) Identifies the group behind this movement.

Nike. . . refers to itself as a "network firm." This means that it employs 8,000 people in management, design, sales, and promotion and leaves production in the hands of some 75,000 workers hired by independent contractors. Most of the outsourced production takes place in Indonesia where a pair of Nikes that sells in the United States and Europe for \$73 to \$135 is produced by girls and young women paid as little as fifteen cents an hour. . . . The \$20,000 that Michael Jordan reportedly received in 1992 for promoting

Nike Shoes exceeded the entire annual payroll of the Indonesian factory that made them.

Part III Corporate Colonialism.

Ch 8 "Dreaming of Global Empires" (123-133) **The international scope of the problem**

In 1991 a study by DeAnne Julius, Shell International's chief economist stressed the importance of trade agreements that would assure capital the same freedom of movement as goods. It proposed three principles:

- Foreign companies should have complete freedom of choice as to whether they participate in a local market . .
- Foreign firms should be governed by the same laws and be accorded the same rights in a country as domestic firms.
- Foreign firms should be allowed to undertake any activity in a country that is(allowed to) domestic firms.

One aspect of the global economy is that countries and regions compete to induce the large corporations to settle in their area by providing "favors"; this often turns out badly for the locality that attracted the company. Moore County, South Carolina, won a competitiveness bid in the 1960s and 1970s when it lured a number of large manufacturers from the industrialized regions of the northeastern United States with promises of tax breaks, lax environmental regulations, and compliant labor. Proctor Silex was one of the companies attracted. . . . Moore county floated a \$5.5 million municipal bond to finance necessary sewer and water hook ups --even though nearby residents were living without running water . . . Then in 1990, the company decided that Mexico offered more competitive terms and moved again. It left behind 800 unemployed Moore County workers, drums of buried toxic waste, and the public debts that the county had incurred to finance public facilities in the company's behalf.

Ch 9 "Building Elite Consensus" (135-142) **How the movement is organized.**

The aims of the global corporations are not achieved through secret plots but through alliances which achieve the same results.

In this chapter, we take a look at each of three major forums that have served the consensus-building process in support of economic globalization: the Council on Foreign Relations, the Bilderberg, and the Trilateral Commission **representing Western Europe, the U.S. and Japan.** . . . It is important to note that these forums bring together heads of competing corporations and leaders of competing national political parties for closed-door discussions and consensus-building processes that the public never sees. . . . The publications of the Trilateral Commission . . .all accept without question the ideological premises of corporate libertarianism. The benefits of economic integration and a harmonization of the tax, regulatory, and other policies of the Trilateral countries--and ultimately of all countries--are assumed as an article of faith.

Ch 10 "Buying Out Democracy" (143-150) **Manipulation of the public.**

In response to the environmentalism, youth culture, and competition from Asia in the 1970s the large corporations mobilized their collective political resources to regain control of the political and cultural agenda. Their methods included a combination of sophisticated marketing techniques, old-fashioned vote buying, funding for ideologically aligned intellectuals, legislative action, and many of the same grassroots mobilization techniques that environmental and consumer activists had used against the corporations during the 1960s and 1970s. . . Their major goals were deregulation, economic globalization, and the limitation of corporate liability . .

Washington D.C.'s major growth industry consists of for-profit public-relations firms and business-sponsored policy institutes engaged in producing facts, opinion pieces, expert analyses (etc). . . to create "citizen" advocacy and public-image-building campaigns for corporate clients. . . .

In the United States, the 170,000 public-relations employees engaged in manipulating news, public opinion and public policy to serve the interests of paying clients now outnumber actual news reporters by about 40,000 . . . These firms will organize citizen letter-writing campaigns, provide paid operatives posing as "housewives" to present corporate views in public meetings and place favorable news items and op-ed pieces in the press. A 1990 study found that almost 40 percent of the news content in a typical US newspaper originates from public-relations press releases story memos, and suggestions. **The work of this modern propaganda machine** is one element of a larger campaign to globalize markets, and to embed corporate libertarianism and consumerism as defining values of a homogenized global culture.

Ch 11 "Marketing the World" (151-160) **More on manipulation**

In modern societies, television has arguably become our most important institution of cultural reproduction. . . Television has already been wholly colonized by corporate interests, which are now laying claim to our schools. The goal is not simply to sell products and strengthen the consumer culture. It is also to create a political culture that equates the corporate interests with the human interest in the public mind.

To explain how TV affects people. Korten quotes from Jerry Mander's *In the Absence of the Sacred*: "By its ability to implant images into the minds of millions of people, TV can homogenize perspectives, knowledge, tastes, and desires, to make them resemble the tastes and interests of the people who transmit the imagery. In our world the transmitters of the images are corporations whose ideal of life is technologically oriented, commodity oriented, materialistic and hostile to nature."

This chapter gives some thoughts on advertising, the growing role of corporations in the classroom, and the dangers of modernized culture.

Ch 12 "Eliminating the Public Interest" (161-174) **Concerns the role of international organizations in gaining control over economic life in undeveloped nations.**

At the same time the UN was founded three other multilateral organizations were founded at a meeting at Bretton Woods: The International Bank for Reconstruction and Development (commonly known as the World Bank), the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT). **These agencies, unlike the UN, operate secretly. The original purpose of the World Bank was to finance European reconstruction but it shifted over to making loans to Third World countries.**

We may infer from the programs and policies of the World Bank and the IMF that they favor a world in which all goods or domestic consumption are imported from abroad and paid for with money borrowed from foreign banks. All domestic productive assets and natural resources are owned by foreign corporations and devoted to export production to repay the foreign loans. And all public services are operated by foreign corporations on a for-profit basis. It makes no sense if the goal is to help the poor. . . . **One of the institutions called for by the Bretton Woods meeting did not materialize. The GATT served in its stead until the World Trade Organization was formed on January 1, 1995. Korten gives a full explanation of this organization's power.**

The key provision in the 2,000 page agreement creating the WTO is buried in paragraph 4 of Article XVI: "Each member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements." . . This provision allows a WTO member country to challenge any law of another member country that it believes deprives it of benefits expected from the new trade laws. . . .

The world's major transnational corporations have had a highly influential insider role in GATT negotiations and are similarly active in the WTO. **This chapter also includes a section on "Protecting intellectual property monopolies."**

Part IV A Rogue Financial System

Ch 13 "The Money Game" (177-185) **Discusses the leading role of financial institutions.**

The story of economic globalization is only partly a tale of . . . the dreams of global empire builders. Another story of impersonal forces is at play, deeply embedded in our institutional systems--a tale of money and how its evolution as an institution is transforming human societies It is a tale of the pernicious side of the market's tendency . . . to reorient itself away from the efficient *production* of wealth to the *extraction* and *concentration* of wealth. **Korten describes how vast sums of money have become available for speculation. Pension funds alone are now worth \$4 trillion, and these are managed by giant banks and account for about 40 percent of corporate**

bonds. (129-30) He also provides a brief summary of how money went from a medium of exchange with intrinsic value to an abstract entity that can easily be manipulated to build up huge fortunes. For every \$1 circulating in the productive world economy, \$20 to \$50 circulates in the economy of pure finance. . . This money is not associated with any real value. Yet money managers . . . stake their reputations and careers on making that money grow at a rate greater than the prevailing of interest. This growth depends on the system's ability to endlessly increase the market value of financial assets being traded **Korten then describes two of the most common methods of inflating this artificial money: Debt and Asset Values (182 -84)**

Ch 14 "Predatory Finance" (187-195) **Discusses the effects of speculation such as hedge funds and derivatives.**

One of the ideological premises of corporate libertarianism is that investment is by nature productive in the sense that it increases the size of the economic pie. . . In a healthy economy most investment is productive. The global economy is not, however, a healthy economy . . In the worst case, an extractive investment actually decreases the overall wealth of the society. The reason for this is that such speculation works best in a volatile, unstable economy. Financial institutions once dedicated to mobilizing funds for productive investment have transmogrified into a predatory, risk-taking, speculation-driven, global financial system.

Ch 15 "Corporate Cannibalism" (197-204) **Mergers and takeovers.**

Generally the take-over is against a socially responsible company that therefore is making less impressive paper gains. Example of takeover of Pacific Lumber Co . After corporate raider Hurwitz took it over he took \$55 million out of the \$93 million pension fund. He told a meeting of employees that the golden rule, means "gold rules"(200). Also Stride-rite example. (202) Stride-rite under CEO Arnold Hiatt, was a socially responsible company that had a policy of locating factories in inner city and minority neighborhoods. After a drop in earnings in 1984 the directors feared that they might be taken over (like Pacific) and decided that they needed to move production abroad. Its US workers were getting \$1,200 to \$1400 a months; the Chinese who replaced them get \$100 to \$150 per month. This was applauded; Stride-Rite's current CEO said "Putting jobs into places where it doesn't make economic sense is a dilution of corporate and community wealth." (203)

Ch 16 "Managed Competition" (205-219)

Cut-backs and wage reductions lead to higher prices on shares. Globalization does not lead to increased competition. The number of small farms in US dropped from 6.8 million in 1935 to 2.1 in 1989. "Of the world's 100 largest corporations, fifty are economies internal to corporations" (More on 260). Top five corporations have assets greater than

the Soviet Union. Downsizing (213) Small businesses are in a desperate struggle for survival. The system is causing what Korten calls a "Race to the Bottom" Description of working conditions in some of the new plants (216 - 218)

In the global economy, however, the largest corporations have learned how to manage competition to minimize it for themselves while maximizing it for others--using it as one more management tool to pass more of their own costs onto people and communities. **i.e. cost externalization**

Ch 17 "No Place for People" (221-229)

The first Industrial Revolution replaced muscle power; the second is replacing other human abilities. Even CEOs are anxious (225) especially with investment firms calling the shots (226) Temp agency workers have increased 240 % in ten years.

The dream of the corporate empire builders is rapidly being realized. The global system is harmonizing standards across country after country -- ever downward toward the lowest common denominator. Driven by the imperatives of global financial markets, the global system values only money. People with their incessant special-interest demands for living wages, prosperous communities, and healthy environments, are an unwelcome economic burden - a meddlesome source of inefficiency to be eliminated.

Human well-being will never be secured by the kind of economic growth demanded by a rogue financial system that values people, planet, and the civilizing bonds of culture and community only for their current market price. It comes down to a question of how we want to live. If we want societies that value life more than money, we must re-create our institutions accordingly.

Part V Reclaiming Our Power

Ch 18 "The Ecological Revolution" (233-248)

Opens with a review of the first 17 chapters.

No sane person seeks a world divided between billions of excluded people living in absolute deprivation and a tiny elite guarding their wealth and luxury behind fortress walls. No one rejoices at the prospect of life in a world of collapsing social and ecological systems. Yet we continue to place human civilization and even the survival of our species at risk mainly to allow a few million people to accumulate money beyond any conceivable need. We continue to go boldly where no one wants to go.

We are now coming to see that economic globalization has come at a heavy price. In the name of modernity we are creating dysfunctional societies that are breeding pathological behavior -- violence, extreme competitiveness, suicide, drug abuse, greed, and environmental degradation -- at every hand. Such behavior is an inevitable consequence when a society fails to meet the needs of its members for social bonding, trust, affection, and a shared sacred meaning. The threefold crisis of deepening poverty, environmental destruction, and social disintegration manifests this dysfunction.

Korten says we are not doomed inevitably to follow the pattern that has taken shape over the last decades; we can reestablish healthy societies.

These actions are within our means but will require transforming the dominant belief systems, values, and institutions of our societies -- an Ecological Revolution comparable to the Copernican Revolution that ushered in the scientific era . . .

By Copernican Revolution, Korten means the creation in the 1500s of what he calls materialistic monism (the view that matter gives rise to consciousness or spirit) (which) became the image or reality embraced by science... Adherents to this tradition believe that matter is the primary reality, physical measurement is the one valid source of knowledge, and the experience of consciousness is only a manifestation of the material complexity of the physical brain . . . (It) has been the foundation of Western scientific training and culture throughout most of the scientific-industrial era. It is commonly associated with a denial of the spiritual and emphasis on materialism, individualism, and the exploitation of nature. . . .

Seventeenth -century philosopher Thomas Hobbes took materialistic monism to its ultimate extreme. He maintained that nothing exists except matter . . . In Hobbes view, good is merely that which gives us pleasure, evil that which brings pain, and the only meaningful purposes in life is to pursue leisure -- a value system that now serves as the implicit moral premise of corporate globalization. . . .

As a philosophy of science, materialistic monism made possible the scientific and technological accomplishments of the scientific-industrial era. As a philosophy deeply embedded in modern culture, it has led us to the brink of self-destruction because it leads to values that alienate us from any higher meaning or purpose. . . .

Korten says that economists' efforts to be scientific have led them to avoid considering human elements and focus on the easily measurable material elements.

economics chose to reduce all values to market values.

All of this implies the illusion that money is the only important thing.

Rather than teaching us that the path to fulfillment is to experience living to the fullest through our relationships with family, community, nature, and the living cosmos, the corporate media continuously repeat a false promise: whatever our longings, the market is the path to their instant gratification.

But, says Korten

People who experience an abundance of love in their lives rarely seek solace in compulsive, exclusionary acquisition . . . When we are spiritually whole and experience the caring support of community, thrift is a natural part of a full and disciplined life. . . .

Our seemingly insatiable quest for money and material consumption is in fact a quest to fill a void in our lives created by a lack of love. It is a consequence of dysfunctional societies in which money has displaced our sense

of spiritual connection as the foundation of our cultural values and relationships. . .

There is an obvious solution: create societies that give a higher value to nurturing love than to making money.

Idealistic as this may sound, it is entirely within our means. The key is a shift in consciousness already being created through an emerging synthesis of scientific and religious knowledge that embraces the integral connection between reality's material and spiritual dimensions. Just as the Copernican Revolution ushered in the scientific-industrial era by freeing us from misperceptions about ourselves and the nature of reality, an Ecological Revolution. . . may usher in an ecological era that will open as yet unimagined opportunities for our social and spiritual development. However, to realize this goal we must reclaim for people the power that we have yielded to money and a corporate dominated global economy. **Korten asserts that to bring this change we need to localize economies. He notes that variety is typical of local systems and rigidity characterizes large ones.** Civilizations in decline were consistently characterized by a "tendency toward standardization and uniformity." . . . By contrast, economic systems composed of locally rooted, self-reliant economies create in each locality the political, economic, and cultural spaces within which people can find a path to the future consistent with their distinctive aspirations, history, culture, and ecosystems. A global system composed of local economies can accomplish what a single global economy cannot -- encourage the rich and flourishing diversity of robust local cultures and generate the variety of experience and learning that is essential to the enrichment of the whole. . . .

In such a world people will be unified not by the mutual insecurity of global competition, but by a global consciousness that we all share the same planet and a common destiny. . . .

Korten lists six guiding principles to achieve the Ecological Revolution:

1) Environmental Sustainability; 2) Economic Justice 3) Biological and Cultural Diversity; 4) People's Sovereignty (also known as the Principle of Subsidiarity); 5) Intrinsic Responsibility; and 6) Common Heritage. **(recognizing that the planet's environmental resources and the accumulated knowledge of the human species are common heritage resources. (243-46)**

He concludes the chapter with the claim that this revolution is less a class struggle than a struggle of people against a rogue economic system that diminishes our humanity and threatens our collective survival. We must be guided by four truths:

1. Sovereignty resides only in people . . Neither governments nor corporations can usurp that sovereignty unless we choose to yield it.
2. Corporations have no natural or inalienable rights. . . .
3. The problem is the system. Incremental changes within individual corporations or political institutions cannot provide an adequate solutions. .
4. The Ecological Revolution is a revolution of ideas not guns. (It) invites the participation of all who seek to create healthy societies.

Ch 19 "Good Living" (249-263) **argues that a simple life style is better for society and the individual than consumerism.**

By organizing societies around the pursuit of material gratification, we have made a virtue of social dysfunction and diminished the quality of our living. . . . Whether we organize our societies for social and environmental health or for dysfunction is our choice. . . . By devoting ourselves to creating societies that enhance the quality of our living rather than the quantity of our consumption, we move simultaneously toward sustainability and a better life for nearly everyone. **Korten notes that we have in us both a competitive instinct and an inclination toward bonding, caring, and cooperation. He cites a study made in Italy by Robert Putnam** which found only one set of indicators that consistently differentiated those localities in which government worked from those in which it didn't. These were indicators of a strong and active civil society, as measured by "voter turnout, newspaper readership, membership in choral societies, and literary clubs, Lions Clubs, and soccer clubs." **Korten notes that these creative activities are positive whereas "watching commercial TV" is a bad indicator. To these indicators he links others such as strong local businesses and family farms. He divides the world into three groups, Overconsumers, Sustainers and Excluded. Cites Alan Durning's *How Much is Enough* which says that 20 % are in first category, an equal % in the Excluded and 60% of worlds population in the Sustainers. He continues,**

As members of the world's sustainer class, they travel by bicycle and public surface transport; eat healthy diets of grains, vegetables and some meat; buy few prepackaged foods ; and recycle most of their wastes. Although their lifestyles do not correspond to our vision of consumer affluence, neither do they evoke a vision of hardship, and in a properly organized society such lifestyles can be richly satisfying. . . . A life free from fashion fads, impulse buying, junk foods, useless gadgets, and the long hours of work required to buy them is a life free from much of what alienates us from the life of family, community, and nature.

Herein lies the tragedy of fifty years of economic growth and national development. Rather than building societies that create a good life for sustainers and bring the deprived into the sustainer class, we have followed the path of encouraging overconsumers to consume more, converting sustainers into overconsumers, and pushing many of those in the sustainer class into the excluded class.

He gives an example the kind of life he and his wife gained by moving to New York, not having a car and walking to most activities, and notes that "New York's per capita energy consumption is half the average for the United States as a whole. The rest of the chapter tells various ways of enjoying life without high consumption.

Ch 20 "Agenda for Change" (265-284) **Public steps that need to be taken.**

Korten's program for countering the harm done by the last fifty years of globalization is divided here into three sub headings. Reclaiming

our Political Spaces, Reclaiming our Economic Spaces and Localizing the Global System.

Reclaiming our Political Spaces (266)

We must give high priority to legislative and judicial action aimed at establishing the legal principle that corporations are public bodies created by issuing a public charter to serve public needs and have only those privileges specifically extended to them by their charters or the law. . . . If a corporation persistently seeks to exceed the privileges granted by its charter -- such as knowingly selling defective products -- or fails to honor its obligations under the law -- such as consistently violating laws regarding toxic dumping -- it is the right and responsibility of citizens acting through the government, to disband it by withdrawing its charter. (!) eliminate all tax exemptions for corporate expenditures related to lobbying, public "education" public charities or political organizations of any kind. The ultimate goal, however, is to prohibit the involvement of publicly traded corporations in any activity intended to influence the political process. . . .

1. Public elections should be publicly funded. Political action committees should be abolished . . .
2. Total campaign expenditures should be limited. . . .
2. In return for their right to use public airways, television and radio stations should be required to provide exposure for candidates for public office . . .

With their dominance of the mass media and their growing infiltration of the classroom, corporations increasingly control and shape our primary institutions of cultural reproduction, constantly reinforcing the values of consumerism and the basics doctrines of corporate liberalism . . . To reclaim our colonized political spaces, we must reclaim our colonized cultural spaces. These measures merit serious consideration:

1. *Media Antitrust.* Special antitrust legislation for the media should establish that it is prima facie evidence of monopolistic intent to a single corporation to own more than one major public media outlet . . .
2. *Advertising.* In classical market economics the role of business is to respond to market demand, not create it. Tax deductions for advertising provide a public subsidy for hundreds of billions of dollars a year in corporate advertising aimed at enticing people to buy things that they neither want nor needs, and creating a consumer culture detrimental to the health of society and the planet.
3. *Schools.* Schools should be declared advertising-free zones, administration of public schools should remain a public-sector function and corporate sponsored teaching modules should be banned from classroom use . . .

Reclaiming our Economic Spaces (270)

Both communism and modern capitalism have failed to **make a system for the good of the people, but** There is an important structural alternative: a market economy composed primarily, though not exclusively, of family enterprises, small-scale co-ops, worker-owned firms and neighborhood and municipal corporations. . . . A common element of these ownership innovations is that they establish local control of productive assets through institutions that

are anchored in and accountable to the community. This tends to make capital patient and rooted, an essential condition of stable, healthy communities. . . .

The following capitalized headings are found on pages 271 through 278.

FINANCIAL TRANSACTIONS TAX

GRADUATED SURTAX ON SHORT-TERM CAPITAL GAINS

ONE HUNDRED PERCENT RESERVE REQUIREMENT ON DEMAND DEPOSITS

TIGHT REGULATION OF FINANCIAL DERIVATIVES

PREFERENTIAL TREATMENT OF COMMUNITY BANKS

RIGOROUS ENFORCEMENT OF ANTITRUST LAWS

WORKER AND COMMUNITY BUY-OUT OPTIONS

TAX SHIFTING

ANNUAL PROFIT PAYOUT

CORPORATE WELFARE

INTELLECTUAL PROPERTY

GUARANTEED INCOME

PROGRESSIVE INCOME AND CONSUMPTION TAXES

PAY EQUITY

EQUITABLE ALLOCATION OF PAID EMPLOYMENT.

Localizing the global system (279)

Transnational corporations have for decades used global institutions and international agreements to circumvent democratic processes, force open national economies, and transfer control over markets, finance, resources, and productive assets to themselves. Any agenda to reclaim economic and political spaces for people must address the need to replace this predatory system of global government with a system that:

- Empowers people and institutions at national and local levels to control and manage their economic resources to their own benefit;
- Makes it difficult for any locality to externalize its production or consumption costs beyond its borders; and
- Encourages cooperation among localities in the search for solutions to shared problems. . .

Currently, global governance functions related to economic, social, and environmental affairs are divided between the United Nations system . . . and the Bretton Woods system -- comprised of The World Bank, The IMF, and the World Trade Organization. The Bretton Woods institutions dominate the economic policy arena yet accept no accountability for the social and environmental consequences of their policies. The under funded United Nations has virtually no influence over economic policies, but is left with the task of cleaning up the social and environmental messes the flawed policies of the Bretton Woods three leave in their wake. **Korten describes the UN Bretton Woods role and suggests that the Bretton Woods organizations be dropped and the UN take over the whole matter. In doing this, three new UN agencies are proposed:**

1) UN International Insolvency Court (UNIIC). Whereas, the International Monetary Fund has forced countries to deregulate the flow of money and goods

across their borders and to bear the consequences of resulting trade imbalance, international indebtedness, exploitation, and financial instability, the proposed UNIFO would work with UN member countries to achieve and maintain balance and stability in international financial relationship (etc).

2) UN International Finance Organization UNIFO.

3) UN Organization for Corporate Accountability (UNOCA)

The reforms outlined in this chapter all serve a common purpose: to restore the democratic accountability of political and economic decision making to the majority who bear the consequences. In Part VI we will review key events of the period 1995 through 2000 to see what they tell us of the prospects for such reforms and the path to their realization. . . .

Part VI From Corporate Rule to Civil Society

Ch 21 "Making Money, Growing Poorer" (287-306)

The period 1995 to 2000 shows a worsening in most of the problems Korten described earlier. The whole gambling approach to money making grew worse. The political power of corporations grew and the need for serious campaign reform, Some specifics: Reported lobbying expenditures for 1998 totaled 1.42 billion, up 13 percent over 1997 . . . In 1998 there were more than 38 registered lobbyists and \$2.7 million in lobbying expenses for each member of the US Congress. . . . By investing \$1.2 million in campaign contributions the Glaxo Smith Kline pharmaceutical corporation won a nineteen month extension on the drug Zantac that was estimated to be worth \$s1 billion. . . . Corporations have learned that it is much more efficient to use international agreements to circumvent national and local governments altogether. To this end the World Trade Organization (WTO) was established on January 1, 1995, with an announced mandate to establish and enforce trade rules essential to prevent trade wars and protect the interests of poor nations.

As demonstrated by its practice, the real function of the WTO is to block new regulatory initiatives by national and local governments that conflict with the interest of global corporations and financiers and to roll back existing rules regulating trade, corporations and finance. **(See list of examples p 295)** In each case the WTO sought to overturn rules enacted by democratically elected governments in the interests of their citizens. . . .

By 1998 the assets of the worlds top three billionaires totaled more than the combined GNP of all the least developed countries and their 600 million people. . . . From 1973 to 1998 productivity in the United States increased by 33 percent, but the s . . . median wage declined. in constant dollars. . . IN 1998 27 percent of all US workers were in jobs paying poverty level wages defined as an hourly wage too low , given a standard work week, to pull a family of four above the poverty line. **The remainder of the chapter details problems of toxic weapons, criminal fraud among corporation executives, slave labor, etc, but it concludes:** Fortunately the last half of the decade of the 1990's also provided some truly good news, signs of a stirring in the human soul -- an awakening of popular consciousness to the reality of corporate globalization. It

was most visible in massive protests throughout the world against the World Bank, IMF, WTO, and other institutions of global corporate rule.

Ch 22 "The Living Democracy Movement" (307-323) Provides a history of the movement to oppose the excessive power of corporations including the Seattle demonstration, a little on Ralph Nader. It describes the Global Action Plan and includes a theory of three types of people: Traditional, Modern, and Cultural Creative. It concludes:

The emerging struggle of the twenty first century centers less on ideology and class than on culture. The living democracy movement, capitalism's new challenger, measures progress not by increases in the aggregate consumption of the few but by the quality of life of everyone.s It seeks not to capture state power but to reduce and democratize it. . . Its defining goal is a civil society.

Ch 23 "A Civil Society" (325-336) Continues the description of the movement, including the Positive Futures Network which is chaired by Korten and publishes the journal YES! It includes a sub-section Life's Guiding Principles that purports to give a modern biological support for its programs. (328-329) and stresses that the movement is democratic and focuses on culture rather than on government and economics.

Epilogue (337-342) Provides a contemporary story of cosmic creation which reveals the epic significance of the choices now before us. It concludes:

We, humanity, have paid a heavy price, however, for our collective alienation from the deeper spiritual reality from which all life and consciousness flow. Our future now depends on graduating to a co-evolutionary perspective that recognizes the integral relationship between the spiritual and materialistic aspects of our being and thereby allows us to recreate ourselves as whole persons, communities, and societies.

