

## Economies For Life

By David Korten

**Enron. Accounting fraud. Mad cows. Wal-Mart. Monopoly. Political corruption. WTO. Disintegrating schools. Downsizing. WorldCom. Tax havens. Cancer. Hostile takeovers. Channel One. Harken Energy. Climate change. Corporate welfare. Temp workers. Economic refugees. Arthur Andersen. Hidden partnerships. Billionaires. Money laundering. Citibank. Financial bubbles. Prison crowding. Insider trading. Infomercials. Halliburton. Price gouging. GMOs. Terrorism. Malnutrition. Monsanto. Uninsured workers. Nike. Sweatshops. Maquiladoras. Trade wars. Homelessness.**

### Welcome to the world of the suicide economy.

The language of economic dysfunction has become so common that when I use the term "the global suicide economy" in my talks, I rarely need to elaborate. Most people are now aware that rule by global corporations and financial speculators engaged in the single-minded pursuit of money is destroying communities, cultures, and natural systems everywhere on the planet. Until recently, however, most people responded with polite but resigned skepticism to my message that economic transformation is possible.

Now, with the revelations of high-profile corporate fraud and corruption, I sense a dramatic change. While the political power brokers talk of new rules and penalties to restore confidence in financial markets, members of religious orders and congregations, community groups, city officials, business people, and young activists are talking about the possibility of far greater changes—of creating truly new economies. They speak of real wealth as a sense of belonging, contribution, beauty, joy, relationship, and spiritual connection. They share their dreams of a world of locally rooted living economies that meet the material needs of all people everywhere, while providing meaning, building community, and connecting us to a place on the Earth.

Many are acting to make their dreams a reality. In late 2001, the Social Ventures Network, an alliance of socially committed entrepreneurs, responded to this upsurge in civic innovation by launching a new nationwide initiative—the Business Alliance for Local Living Economies—to encourage, strengthen, and facilitate the interlinking of these initiatives with the aim of creating a cohesive national movement. (<http://www.livingeconomies.org/>)

The suicide economy is a product of human choices motivated by a love of money. It is within our means to make different choices motivated by a love of life. We have created a suicide economy based on absentee ownership, monopoly, and the concentration of power delinked from obligations to people or place. Now we must create living economies based on locally rooted ownership and deeply held American ideals of equity, democracy, markets, and personal responsibility.

In the place of a suicide economy devoted to maximizing returns to money, we can create living economies devoted to meeting the basic needs of people. In the place of a suicide economy in which the powerful reap the profits and the rest bear the cost, we can create a system of living economies in which decisions are made by those who will bear the consequences.

In the place of the suicide economy's global trading system designed to allow the wealthy few to control the resources and dominate the markets of the many, we can create living economy trade through which each community exchanges those things it produces in surplus for those it cannot reasonably produce at home on terms that support living wage jobs and high environmental standards everywhere.

Under a system of relatively self-reliant local living economies, communities and nations will not find themselves pitted against one another for jobs, markets, and resources. In the absence of such competition, the free sharing of information, knowledge, and technology will become natural, to the mutual benefit of all.

### Locally owned, human-scale enterprises

Living economies are made up of human-scale enterprises locally owned by people who have a direct stake in the many impacts associated with the enterprise. A firm owned by workers, community members, customers, and/or suppliers who directly bear the consequences of its actions is more likely to provide:

- Employees with safe, meaningful, family-wage jobs.
- Customers with useful, safe, high-quality products.
- Suppliers with steady markets and fair dealing.
- Communities with a healthy social and natural environment.

One of my favorite prototypes of a living economy enterprise is Philadelphia's White Dog Cafe. (See **YES! Spring 2001**.) Founder, owner, and proprietor Judy Wicks buys most of her food from local organic farmers, serves only meat from humanely raised animals, pays her workers a living wage, devotes 10 percent of profits to local charity, and has mobilized other Philadelphia restaurants to join in rebuilding the local food production and distribution system. Wicks is also former board chair of the Social Ventures Network and a founder of the newly formed Business Alliance for Local Living Economies.

Living economy enterprises may be organized as partnerships; individual- or family-owned businesses; consumer- or producer-owned cooperatives; community corporations; or companies privately owned by workers, other community members, or social investors. They may be for-profit or nonprofit.

There is no place in living economies, however, for publicly traded, limited liability corporations, the organizational centerpiece of the suicide economy. This corporate form is legally structured to allow virtually unlimited concentration of power to the exclusive financial

benefit of absentee shareholders who have no knowledge of, or liability for, the social and environmental consequences of the actions taken on their behalf. It is a legally sanctioned invitation to benefit from behavior that otherwise would be considered sociopathic—even criminal.

### **Life-serving rules**

In the suicide economy, the success of an enterprise is measured by the financial return to its investors. The corporate media cheer when stock prices rise, increasing investor wealth, but sound the alarm when wages rise. Information on the price of a corporation's stock is available on a minute-by-minute basis, but information on its social and environmental impacts is rarely disclosed.

Rule-making in the suicide economy focuses on enforcing contracts, providing incentives for investors, and protecting the rights of property owners. Government intervention to protect workers, the environment, and consumers is denounced by corporate elites as an infringement of market freedom. Trade agreements like NAFTA and institutions like the World Trade Organization open countries to unbridled competition for investment and jobs that creates a race to the bottom in terms of labor, health, social, and environmental standards.

When Mr. Bush spoke to Wall Street bankers on July 9 on the subject of corporate accountability, his remarks centered on restoring investor confidence by increasing financial integrity and transparency. He made no mention of corporate accountability to workers, communities, the environment, or any other larger public interest. Follow closely the policy debates between Republicans and Democrats on financial fraud, and you will find they center on the competing private financial interests of managers and shareholders—with Republicans generally favoring the corporate managers and Democrats favoring the Wall Street financiers.

The primary purpose of a true market economy, however, is not to make money for the rich and powerful. When Adam Smith conceptualized the idea of the market economy in his classic *The Wealth of Nations*, he had in mind economies that allocate human and material resources justly and sustainably to meet the self-defined needs of people and community.

In order to allocate justly and sustainably, a market economy requires enforceable rules. Because markets respond only to the needs of those with money to pay, there must be rules to assure an equitable distribution of income. Because markets respond to prices, a just and sustainable allocation of resources depends on public regulation and user fees to assure that market prices internalize the true cost of a product or service—including the social and environmental costs otherwise borne by the public. Public oversight is also needed to assure that common heritage resources essential to the survival and well-being of all—like land and water—are protected and equitably shared.

When enterprises are locally rooted, human-scale, owned by stakeholders, and held accountable to the rule of law by democratically elected governments, there is a natural incentive for all concerned to take human and community needs and interests into account. When income and

ownership are equitably distributed, justice is served and political democracy is strong. When workers are owners, the conflict between labor and capital disappears. When needs are met locally by locally owned enterprises, people have greater control over their lives, money is recycled in the community rather than leaking off into the global financial casino, jobs are more secure, economies are more stable, and there are the means and the incentives to protect the environment and to build the relationships of mutual trust and responsibility that are the foundation of community.

### **Quality of life**

Our quality of life would be stunningly different if we based economic decisions on life values rather than purely financial values—a natural choice if owners had to live with the non-financial consequences of their decisions.

Full-cost pricing of energy, materials, and land use could expose the real inefficiencies of factory farming, conventional construction, and urban sprawl and make life-serving alternatives comparatively cost-effective. Much of our food could be grown fresh on local family farms without toxic chemicals, and processed nearby. Organic wastes could be composted and recycled back into the soil. Environmentally efficient buildings designed for their specific micro environment and constructed of local materials could radically reduce energy consumption. Much of our remaining energy needs could be supplied locally from wind and solar sources. Local wastes could be recycled to provide materials and energy for other local businesses.

Compact communities could bring work, shopping, and recreation nearer to our residences—thus saving energy and commuting time, reducing CO2 emissions and dependence on imported oil, and freeing time for family and community activities. Land now devoted to roads and parking could be converted to bike lanes, trails, and parks.

By reducing waste and unnecessary use of energy and other resources, we in America could reduce our need to expropriate the resources of other countries. We could quit allocating a major portion of our national treasure to the large military required to secure our access to those resources. The world's poor would regain access to the resources that are rightfully theirs to improve their own lives—and the threat of terrorism would be greatly reduced. The elimination of global corporations with their massive overhead, inflated executive compensation packages, and myopic focus on short-term profits would free still more resources. Together these savings could provide workers with family wages and finance first-rate education, health care, and community services for all.

We would expect to see the effects of living economy institutions ripple out across the social landscape. With ample living wage jobs, educational opportunities, and essential services, crime rates would drop, and prison and other criminal justice costs would fall.

An economy that responds to rather than creates demand diverts fewer resources to advertising. Fewer ads mean less visual pollution and wasteful consumerism, an

improved sense of self-worth, and still more resources freed up to be converted into shorter work weeks and more leisure time. We would work less and live more. Our lives would be freer and richer. Our environment would be cleaner and healthier. A world no longer divided between obscenely rich and desperately poor would know more peace and less violence, more love and less hate, more hope and less fear. The Earth could heal and provide a home for our children for generations to come.

### **Awakening majority**

The ideal of a living economy might seem an impossible dream, except for the fact that so many of its elements are already in place. There are millions of for- and not-for-profit enterprises and public initiatives around the world aligned with the values and organizational principles of living economies. They include local independent businesses of all sorts from bookstores to bakeries, land trusts, local organic farms, farmers' markets, community-supported agriculture initiatives, restaurants specializing in locally grown organic produce, community banks, local currencies, buy-local campaigns, suppliers of fair-traded coffee, independent media, and many more. Indeed, independent, human-scale businesses are by far the majority of all businesses, provide most jobs, create nearly all new jobs, and are the source of most innovation.

It is clear that living economies are a viable alternative to the suicide economy. Nonetheless, the suicide economy continues to dominate our economic, political, social, and cultural lives. So how do we get from a few million living enterprises that are struggling to survive at the fringes of the global suicide economy to a healthy planetary system of thriving living economies? The answer is, "We grow it into being."

No one planned the suicide economy. It is what organizational consultant Margaret Wheatley calls an "emergent system." Those responsible for corporate interests grew it into being through their day-to-day effort to increase profits and market share. Step by step over the last several hundred years, they reshaped politics, the legal system, and modern culture to create the interlocking systems of interests and mutual obligations of what has become a suicide economy.

The complex, self-reinforcing dynamics of an emergent system make it virtually impossible to transform from within. Those who attempt to do so are almost invariably marginalized or expelled. When environmental writer Carl Frankel set out to write the book *In Earth's Company* on corporate environmentalism, he looked for true environmental champions within the corporate world. He found three. By the time his book was published, all three had been fired.

An emergent system that no longer serves can be displaced only by a more powerful emergent system. According to Wheatley, "This means that the work of change is to start over, to organize new local efforts, connect them to each other, and know that their values and practices can emerge as something even stronger."

This insight is critical to the work ahead. The most promising approach to ridding our societies of the

pathological culture and institutions of the suicide economy is to displace them—an idea that at first seems hopelessly naive. Consider, however, that the institutions of the suicide economy are animated by our life energy. They have only the power that we each yield to them. Each time we choose where we shop, work, and invest, we can redirect our life energy from the suicide economy to the emergent living economy.

Choosing living economy enterprises may appear more expensive. Organic produce may cost more than non-organic; a bar of soap may cost more at a local store than at a big chain. That greater expense disappears, however, when we factor in such benefits of the living economy as improved health, caring communities, shorter commutes, meaningful work, cleaner air and water, free time, economic security, and hope for our children's future. Employment in a smaller enterprise may pay less, but be more secure.

When top mutual funds were returning 20 to 50 percent a year, putting money in a community bank that pays 4 or 5 percent seemed an expensive choice. In a period of market decline, however, an insured CD with a community bank that makes loans to local businesses begins to look like a smart, as well as ethical, choice.

### **Making it happen**

Those interested in helping to grow a living economy in their own community might start with a few simple questions. What do local people and businesses regularly buy that is or could be supplied locally by socially and environmentally responsible independent enterprises? Which existing local businesses are trying to practice living economy values? In what sectors are they clustered? Are there collaborative efforts aligned with living economy values already underway? The answers will point to promising opportunities.

Food is often a logical place to start. Everyone needs and cares about food, and food can be grown almost everywhere, is freshest and most wholesome when local, and is our most intimate connection to the land. In many communities, a farmers' market or a restaurant serving locally produced organic foods provides a focal point for organizing. In some communities, clusters of businesses devoted to energy conservation, environmental construction, and the local production of solar, wind, and mini-hydro power are forming living economy webs devoted to advancing local energy independence.

Many groups are working to create the financial infrastructure for living economies. Some are creating interest-free local currencies that encourage and facilitate transactions among local people and enterprises. Others are establishing community banks dedicated to financing local enterprises. The ShoreBank is one of my favorite examples of a living-economy financial institution. The bank is privately owned by a number of individual investors, foundations, and nonprofit organizations dedicated to its social and environmental mission. It finances enterprises and projects that provide jobs, contribute to environmental health, upgrade low- and moderate-income rental housing units, create affordable home ownership opportunities, and develop and staff day-care centers and job-training programs. (See "[A Founder](#)

of the Next Economy," YES! Fall 1999.)

A number of groups are developing a "fair trade" infrastructure that seeks to improve the conditions of low-income producers of coffee, handicrafts, and other goods. Still others are mobilizing political action to eliminate public subsidies, tax rebates, sweetheart contracts, regulatory exemptions, and giveaways of public resources on which the profits of otherwise inefficient corporate monoliths often depend, and to put in place new rules that favor local independent businesses, stakeholder ownership, living-wage employers, and environmental responsibility. (See the "New Rules Project" of the Institute for Local Self-Reliance, <http://www.ilsr.org/>.)

Countless local living-economy initiatives are being launched all across America and around the world, including some by former corporate employees who have chosen to walk away from the suicide economy to start new businesses aligned with their values. The greater the number and diversity of such initiatives, the more rapidly the web of an emergent planetary system of local living economies can grow, and the more readily each of us can redirect our life energy toward living economies in our shopping, employment, and investment choices.

Corporate scandals, a faltering economy, and stock-market declines have dealt a serious blow to the legitimacy of the suicide economy and the big corporations that dominate our lives. Thousands of people are already spreading the message that there is a life-serving alternative that we can grow into being. As suggested by the case examples from Appalachia and Argentina presented in this issue of YES!, living economy initiatives flourish most readily under the conditions of economic adversity that dramatically expose the suicide economy's false promises of instant, effortless wealth. The United States may be entering such a period. While the ruling elites occupy themselves with seeking to restore faith in the pathological institutions on which their power and privilege were built, the rest of us can embrace this moment of economic failure as an historic opportunity. Through our individual and collective choices, we can grow into being the economic institutions, relationships, and culture of a just, sustainable, and compassionate world of living economies that work for all.

*Dr. David C. Korten is the author of When Corporations Rule the World and The Post-Corporate World: Life after Capitalism; board chair of the Positive Futures Network; president of the People-Centered Development Forum; and a visionary-advisor member of Social Ventures Network. For more on living economies visit <http://www.pcdf.org/>.*