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CORPORATIONS
RULE THE
WORLD

David C. Korten

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When Corporations Rule the World

WHEN
CORPORATIONS
RULE THE
WORLD

— 20TH ANNIVERSARY EDITION —

David C. Korten



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When Corporations Rule the World

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*To two great teachers,
Professors Robert North and Willis Harman,
who taught me to question conventional wisdom
and opened my eyes to possibilities that changed my life.*

*To my life partner, Dr. Frances F. Korten, who shares the incredible
journey on a road less traveled.*

and

*To Smitu Kothari,
friend, colleague, and one of India's leading intellectuals,
who advised me that to truly serve the cause of the world's poor,
I should return home to the United States from Asia
and teach my fellow Americans
what I had learned abroad about the source of their poverty.
Heeding his advice, I returned and wrote
When Corporations Rule the World.*

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Those who own the country should govern it.

John Jay, first chief justice of the United States

The arc of the moral universe is long, but it bends towards justice.

Martin Luther King Jr.

The worship of the ancient golden calf has returned in a new and ruthless guise in the idolatry of money and the dictatorship of an impersonal economy lacking a truly human purpose.

Pope Francis, *Apostolic Exhortation Evangelii Gaudium*

In spite of current ads and slogans, the world doesn't change one person at a time. It changes as networks of relationships form among people who share a common cause and vision of what's possible. . . . We don't need to convince large numbers of people to change; instead, we need to connect with kindred spirits.

Margaret Wheatley and Deborah Frieze,

"How Large-Scale Change Really Happens"

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A Choice for Life

Money flows faster. Financial bubbles inflate.
Economists assure us we grow richer.

Electronic gadgets and entertainments distract us.
Real-world families and communities disintegrate.
Earth and democracy die.

Ruled by soulless corporations
that value money more than life,
we get more money, less life.

We face an epic choice:
People power or corporate power;
living communities or corporate colonies;
democracy or corporatocracy;
more life for all or more money for the few.

Humanity awakens to long-forgotten truths.
We are living beings born of and nurtured by a living Earth.
Real wealth is living wealth.
Money is just a number.
We find true happiness in the joy of living and contributing
as members of caring families and communities.

We have the right and the means
to replace a life-destroying suicide economy
ruled by money-seeking corporate robots
with living economies
grounded in the foundational principles
of democracy, real-market economies, and living systems.

Many millions of people are engaging.
They reconnect with one another and the rest of nature.
They rebuild living communities, democracy, and economies
in which people cooperate to make a living
rather than compete to make a killing.

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PROLOGUE

A Personal Journey

I think there are good reasons for suggesting that the modern age has ended. Today, many things indicate that we are going through a transitional period, when it seems that something is on the way out, and something else is painfully being born. It is as if something were crumbling, decaying and exhausting itself, while something else, still indistinct, were arising from the rubble.

—VÁCLAV HAVEL,
president of the Czech Republic

As a young man, I decided I would devote my life to ending world poverty. To that end I spent thirty years of my life as a development worker in Africa, Latin America, and Asia. I saw extraordinary changes in the world—especially in Asia, where I lived from 1978 to 1992.

During my first visit to Asia as a student in 1961, I experienced many cities as dingy and remote. By the time I returned permanently to the United States in 1992 to share with fellow Americans the lessons of my experience, these same cities were sporting luxurious modern airports, superhighways crowded with late-model cars, five-star hotels, gated residential communities, and air-conditioned mega shopping malls stocked with state-of-the-art electronics and elegant designer clothing from all over the world.

Such signs of progress in what we once called underdeveloped countries are now even more pervasive. To those who look no further, development seems to have been a stunning success. Yet look a little deeper, and it is like an elaborate movie set, carefully constructed in the midst of dystopian devastation.

Yes, hundreds of thousands of people are living extremely well, and

millions are enjoying far higher levels of consumption than ever before. But billions have been displaced from the lands on which they once made a modest living to make way for mining operations, oil extraction, dams, agricultural estates, forestry plantations, resorts, golf courses, and myriad other development projects catering to the needs and wants of the few. The many live in squalid slums and struggle to survive as sweatshop workers, migrant agricultural laborers, street vendors, drug dealers, and sex workers.

The trees are gone from once-lush hillsides. Coral reefs once vibrant with life are underwater wastelands. The air is thick with pollutants. Cultures grounded in strong spiritual, family, and community values have given way to materialism and violence.

Politicians and the press display little awareness of life beyond the façade and even less understanding of the root causes of poverty and unemployment, inequality, violent crime, family and community breakdowns, and environmental collapse. Our leaders seem unable to move beyond blaming their political opponents and promoting the same old ineffectual solutions—accelerating economic growth through deregulation, cutting taxes, removing trade barriers, giving industry more incentives and subsidies, forcing welfare recipients to work, hiring more police, and building more jails.

I find it is often the people who live ordinary lives far removed from the corridors of power who have the clearest perception of what is really happening. Yet they are often reluctant to speak openly what they believe in their hearts to be true, because it is too frightening and differs too dramatically from what those with more impressive credentials and access to the media are saying. They feel isolated and helpless.

The questions nag: Are things really as bad as they seem to me? Why don't others see it? Am I stupid? Am I being intentionally misinformed? What can I do? What can anyone do?

I struggled for years with the same questions, at first with a similar sense of isolation, now with awareness that many millions of others are asking the same questions. I wrote *When Corporations Rule the World* as part of my own search for answers. A great many readers have told me that reading it opened their eyes and changed their lives. In most instances it helped them see with clarity and confidence what they suspected might be true and gave them the language to discuss it.

Getting the difficult and unpleasant truth on the table for discussion is a necessary first step toward action. Fear of the unknown can immobilize us, especially if we believe we are alone. Knowing we are not alone can help us face an increasingly terrifying reality with courage and empower us to act.

Let me begin by sharing a bit of the journey that led to my writing

When Corporations Rule the World and the decision to present this 20th anniversary edition with this updated prologue, along with an all-new introduction, an all-new conclusion, and an updated epilogue. I hope that this may help you approach this book as you would a conversation with a valued friend.

Roots of the Inquiry

I was born in 1937 into a conservative white upper-middle-class family in Longview, Washington, a small timber-industry town of some 25,000 people. Assuming that one day I would manage the family's retail music and appliance business, I had no particular interest in venturing beyond the borders of the United States. As a psychology major at Stanford University, I focused on musical aptitude testing and the uses of psychology to influence buying behavior. Then in 1959, during my senior year, a curious thing happened.

At that time a very conservative Young Republican, I was deeply fearful of the spread of communism and the threat it posed to the American way of life I held so dear. This fear drew me to take a course on modern revolutions taught by Robert North, a professor of political science. There I learned that poverty was fueling the communist revolutions I so feared.

In one of those rare, deeply life-changing moments, I made a decision. I would devote my life to countering this threat by bringing the knowledge of modern business management and entrepreneurship to those who had not yet benefited from it.

I prepared myself with an MBA in international business and a PhD in organizational theory from the Stanford Business School. Three years in Ethiopia setting up a business school with the help of my newlywed life partner, Frances Korten, provided my apprenticeship. I did my obligatory military service during the Vietnam War as a captain in the US Air Force, fulfilling staff assignments at the Special Air Warfare School, the Office of the Secretary of the Air Force, and the Office of the Secretary of Defense. I then signed up for what turned out to be a five-and-a-half-year tour on the faculty of the Harvard University Graduate School of Business.

For three of my Harvard Business School years I served as the Harvard adviser to the Nicaragua-based Central American Management Institute (INCAE), a graduate business school catering to the elite business families of Central American and Andean countries. After returning to Boston, I taught for two more years at the business school and then moved to the Harvard Institute for International Development and the Harvard School of Public Health.

At the beginning of 1978, Fran and I joined the Ford Foundation staff

in the Philippines and remained in Southeast Asia for the next fourteen years. While Fran stayed with Ford, I moved on to spend eight years as a senior adviser with the US Agency for International Development (USAID), the official US foreign aid program.

I share this detail to establish the depth of my conservative establishment roots. The more interesting part of my story, however, has to do with my gradual awakening to a troubling truth: that conventional economic theory and practice is a leading cause of—not the solution to—poverty, exclusion, and environmental system collapse.

Personal Awakening

The Stanford course on modern revolutions awakened me to the reality of global poverty. In 1961, a summer in Indonesia immersed me in the heroic struggles, spiritual grounding, and generosity of people who live in desperate poverty. It was an aspect of the human experience I had not previously encountered.

While at INCAE in the early 1970s, I wrote a number of Harvard Business School-style management cases for a course I was teaching on the management of change. They were based on my Latin American experience. Many involved efforts by government, business, and voluntary agencies to improve the conditions of the urban and rural poor. They often carried a disturbing message: Externally imposed “development” was seriously disrupting human relationships and community life—often causing severe hardship for the very people it claimed to benefit.

By contrast, when people found the freedom and self-confidence to take control of their own economic lives, they generally fared far better. I became fascinated with the challenge of transforming development programs to support these kinds of self-led grassroots processes.

During our INCAE and Harvard years, Fran and I became involved in efforts to improve the management of family-planning programs. This brought us into contact with many local initiatives, including those of poor people who were trying to gain control of their lives in the face of economic policies that supported the expropriation of their resource base by those already better off.

When Fran and I left Harvard at the end of 1978 to join the Ford Foundation staff in Manila, Fran inherited a portfolio of grants that included a small grant to the Philippine National Irrigation Administration (NIA). It was intended to strengthen the NIA’s ability to assist small farmer-owned-and-operated irrigation systems. This led to a long-term cooperation between the NIA and the Ford Foundation that ultimately transformed the NIA from an engineering-and-construction-centered organization

that dictated to farmers to one that worked in partnership with farmer organizations and encouraged a substantial degree of local self-reliance.

Through our contact with a great many initiatives in Asia, we experienced the creative energies that people and communities can mobilize on their own behalf with modest support and encouragement from public authorities. We saw firsthand how foreign-funded development projects commonly overwhelm such efforts—even many projects that seek to embrace them.

We also learned how careful strategic grant making can “debureaucratize” large centralized public agencies and strengthen the control of local resources by local people. Aware of my writing and lectures on how this is accomplished, USAID invited me to help it apply these lessons to its programming in Asia as its regional adviser on development management based in Jakarta, Indonesia. I focused on this task for eight years, only to conclude that USAID was too big and bureaucratic itself to be effective as a catalyst in helping country development agencies become less bureaucratic.

These experiences left me with a deep conviction that real development cannot be purchased with foreign aid. Development depends on people’s ability to gain control of, and effectively use, the real resources of their localities—land, water, labor, technology, and human ingenuity and motivation—to meet their needs. Yet most development interventions transfer control of local resources to large centralized public bureaucracies that are unaccountable to local people and unresponsive to their needs. The more money that flows through these central institutions, the more dependent people become, the less control they have over their own lives and resources, and the more rapidly the gap grows between those who hold central power and the local people and communities seeking to make a living using local resources.

I came to see a yawning gap between actions that increase economic growth and those that result in better lives for people. This difference raised a basic question: What would development look like if, instead of being focused on growth and money, it were truly people centered—making people both its purpose and its primary instrument? In 1984, I edited the anthology *People-Centered Development*. In 1986, I edited another anthology, *Community Management*. Both focused on getting resource control in the hands of people.

The more I saw development’s presumed beneficiaries struggling to maintain their dignity and the quality of their lives in the face of the systemic attack by the development agencies and projects that were colonizing their resources, the more alienated I became from mainstream development thinking. In 1988, I left USAID but remained in Southeast Asia.

Having become disillusioned with official development agencies, I immersed myself in the world of nongovernmental organizations (NGOs) and soon found myself among NGO colleagues who were raising similar questions about the nature and process of development. I became a synthesizer and scribe of the collective insights emerging from an increasingly dynamic dialogue within the NGO community. It was a period of intense personal learning.

My next book, *Getting to the 21st Century: Voluntary Action and the Global Agenda*, published in 1990, focused on the threefold human crisis of deepening poverty, environmental destruction, and social disintegration. It traced the roots of the crisis to models that made growth the goal of development and treated people as mere means. It concluded that because the dominant institutions of modern society are creations of a growth-centered development vision, the leadership for change must come from voluntary citizen action.

Embracing this argument to recast my own commitments, I joined a number of colleagues to found the People-Centered Development Forum (PCDForum), a global citizen network engaged in articulating and advancing a people-centered vision of the future and redefining development practice in line with that vision. The PCDForum (now the Living Economies Forum) examined the role of national and global structures and institutions in stripping people and place-based communities of the ability to meet their own needs in responsible, sustainable ways.

This explains what some people may see as a paradox: although I talk of the need for local empowerment, much of my attention is focused on the transformation of global institutions. I am among those who seek to transform the global to empower the local.

A Ten-Day Reflection with Asian Colleagues

In November 1992, I traveled to Baguio, a Philippine mountain resort town, to meet with the leaders of several of Asia's leading NGOs. We engaged in a ten-day reflection on the Asian development experience and its implications for NGO strategies. We were concerned that Asia's much-touted economic success was confined to a few relatively small countries and dangerously superficial. Beneath the surface of dynamic competitive economies, we observed a deeper reality of impoverishment and a spreading disruption of the region's social and ecological foundations.

Our discussions turned to the need for a theory that would explain and provide guidance in addressing the deeper causes of the crisis. Without a theory, we were like a pilot without a compass.

Late one night, our discussions began to converge on two fundamental

insights: First, we did not need an alternative theory of development as our guide. Rather, we needed a theory of sustainable societies that would apply to Northern and Southern countries alike. Second, the theory must go beyond the sterile formulations of mainstream economists and explain why human societies have chosen to so disrupt the natural self-organizing processes of living communities.

As we continued our discussion over the next few days, the pieces began to fall into place. The Western scientific vision of a mechanical universe has created a philosophical alienation from our inherently spiritual nature. This is reinforced in our daily lives by the increasing alignment of our institutions with the monetary values of the marketplace.

The more dominant that money becomes in our lives, the less sense we have of the spiritual bond that forms the foundation of vital human communities and binds us to the rest of Living Earth's community of life. The pursuit of spiritual fulfillment has been increasingly displaced by an all-consuming and increasingly self-destructive pursuit of money—a human artifact without substance or intrinsic value.

It seemed evident from our analysis that to reestablish a sustainable relationship to a 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 the economy is but one of the instruments of good living—not the purpose of human existence. 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 civil society.

It was in so many ways an unremarkable insight. We had accomplished little more than to rediscover the ancient wisdom that a deep tension exists between our spiritual nature and our economic lives, and that healthy social and spiritual function depends on keeping the two in proper balance and perspective.

Nor was there anything new in recognizing the importance of civil society, which has always been—and will likely ever be—the driver of authentic democratic governance. Yet we deepened our personal insights into the practical relevance of these ideas to the crisis that imperils contemporary societies. I wrote *When Corporations Rule the World* to further develop and share these insights more broadly. It was an expression of my commitment to my Asian NGO friends and colleagues to help communicate their concerns and the lessons of their experience to a Northern audience—and in particular to expose the US role in driving the unfolding disaster.

The globally aware reader will note that *When Corporations Rule the World* has a strong focus on US corporations, choices, and consequences. European readers of the original edition frequently commented that what I described was distinctive to the United States. “Europe is different,” they explained. Indeed, it was. It has since become ever less so. The US corporate agenda is a global agenda. The US experience is simply the leading edge. We in the United States are as the canaries in the mine shaft.

Returning Home

In the summer of 1992, shortly before the Baguio retreat, Fran and I left Southeast Asia to return permanently to the United States. We had announced our decision to friends and colleagues in our 1991 Christmas letter with the following explanation:

We were drawn to these far-away regions in the early 1960s by a belief that they were the locus of the development problems to which we had decided as young university students to dedicate our careers. We began these careers challenged by a mission—to help share the lessons of America’s success with the world—so that “they” could become more like “us.”

Development as we understood it thirty years ago, and as it is to this day vigorously promoted by the World Bank, the IMF [International Monetary Fund], the Bush administration, and most of the world’s powerful economic institutions, isn’t working for the majority of humanity. And the roots of the problem are not found among the poor of the “underdeveloped” world. They are found in the countries that set global standards for wasteful extravagance and dominate the global policies that are leading our world to social and ecological self-destruction.

Now thirty years older and hopefully a good deal wiser, Fran and I have come to realize the extent to which America’s “success” is one of the world’s key problems. Indeed, the ultimate demonstration of this assertion is found in America itself.

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 borders. This is 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—including the last remaining primary forests—indiscriminate dumping of toxic wastes, and the breakdown of families and communities.

While we have been away from home, the powerful have consolidated the nation’s wealth in their own hands and absolved themselves

of responsibility for their less fortunate neighbors. Labor unions have withered as American workers desperate to keep their jobs have been forced to compete with the even more desperate unemployed of Mexico, Bangladesh, and other Third World countries by negotiating for wage cuts with corporations that may still bear American names but honor no national allegiance.

We feel that our own education has been the primary product of our years abroad and that it is now time to return home to face up to our responsibilities to confront the problem at its geographical source. New York, a major center of economic power manifesting all the qualities of a contemporary Third World city—including wandering armies of the homeless juxtaposed with the extravagant lifestyles of the rich and famous, incapacitated government, and indiscriminate violence—seemed an appropriate choice. So we are moving to the belly of the beast, bringing the perspectives gained from our thirty years of learning about the causes of these conditions.

Only when we in the United States are prepared to assume responsibility for changing ourselves will others be able to fully reclaim the social and environmental spaces we have appropriated from them and recover their ability to meet their own needs within a just, democratic, and sustainable world of cooperative partnerships.

Birth of a Global Resistance

At the beginning of 1994, as I was writing *When Corporations Rule the World*, Jerry Mander, author, insightful social critic, and then head of the San Francisco-based Foundation for Deep Ecology, convened a small international gathering of some fifty NGO leaders to launch what became the International Forum on Globalization (IFG).

We were of many nationalities and came from widely varied backgrounds. We were all, however, engaged in resisting the use of World Bank and IMF structural adjustment programs and international trade agreements to consolidate global corporate power beyond the reach of democratic accountability. As we shared our experiences, we came to see a larger pattern of a global corporate agenda and its systemic implications. We also deepened our understanding of how sharply the real story of the North American Free Trade Agreement (NAFTA) and the World Trade Organization diverged from the story promoted to the public. *When Corporations Rule the World* draws extensively from what emerged as our shared analysis.

In November 1995, we held what proved to be a historic public teach-in on corporate globalization at the Riverside Church in New York City.

When Corporations Rule the World had launched just the month before. The IFG teach-in featured many of globalizing civil society's most influential, informed, and eloquent leaders and speakers, including Maude Barlow, Walden Bello, John Cavanagh, Victoria Tauli-Corpuz, Martin Khor, Sara Larraín, Vandana Shiva, Jerry Mander, Ralph Nader, Helena Norberg-Hodge, Jeremy Rifkin, Lori Wallach, and many others. I had the privilege of being among their number.

On a cold, wet November evening, the sanctuary filled to overflowing with 1,500 participants from all across the United States, Canada, Mexico, and beyond. Hundreds were turned away at the door for lack of space. It was a moment of public readiness to hear and address the truth that the corporate PR machine sought to obscure with false promises of growth, jobs, and prosperity for all. Our well-documented counterstory quickly spread through progressive networks around the world.

There followed countless teach-ins, conferences, and seminars on the issues of corporate globalization organized by civil society groups around the world. Dozens of books, articles, newsletters, and e-mail subscriber lists told the story: far from advancing universal democracy and prosperity, the true intention of “free” trade agreements is to consolidate corporate control of the world's resources, markets, labor, and technology for short-term profits.

On November 30, 1999, four years after the first IFG teach-in, trade representatives from all over the world met in Seattle, Washington, with representatives of the largest transnational corporations for a World Trade Organization (WTO) meeting. Their purpose was to craft global trade rules that would preempt the national laws of every member country. Some 50,000 union members, people of faith, environmentalists, youth, indigenous peoples, peace and human rights activists, feminists, small farmers, and others gathered in the streets of Seattle to express their opposition.

Seattle was only the tip of a very large iceberg. Simultaneous protests around the world brought hundreds of thousands of people to the streets. Seattle was not the first such protest, nor was it the largest, but it was the first to get intense global media coverage, and it succeeded in forcing the premature closure of the Seattle negotiations. That success inspired and emboldened a series of increasingly massive protests wherever the corporate oligarchy met to advance its agenda—until September 11, 2001.

When nineteen terrorists armed with box cutters brought down the New York City World Trade Towers—the symbolic world headquarters of corporate rule—they generated a flood of global sympathy for those who died and their bereaved families and turned Wall Street from villain to victim.

Within days of the attack, the US government declared perpetual war against terrorism, began rolling back civil liberties, and branded dissent as support for terrorists. Leaders of many other governments, glad for an excuse to limit dissent and buttress their own power, followed the US government's example. Around the world, voices of resistance against corporate globalization were briefly stunned into silence as the United States launched a major war in Afghanistan and talked of possible preemptive military action against Iraq, North Korea, Iran, Syria, and Libya—none of which had any connection to the 9/11 attack.

Influential political analysts debated the merits of an American empire. Documents circulated in which key administration officials openly advocated imposing a Pax Americana on the world through the unilateral application of US military power in the manner of the ancient Roman Empire.¹

Instantly, the threat to freedom and democracy posed by trade agreements paled in comparative significance.

Outflanked, upstaged, and lacking a rallying focal point for public protests, the global resistance against the advance of corporate empire through deceptively labeled and surreptitiously negotiated free trade agreements lost its momentum, visibility, and focus. Contrary to appearance, however, the social energies it focused did not die; they scattered. As they scattered, they sparked countless new but less visible, less clearly connected initiatives, creating the foundation for a deep transformation of institutional power far beyond simply blocking the abuse of trade agreements that undermine democracy and deepen corporate rule.

For Every No There Must Be a Yes

Every successful social movement builds around a perceived gap between what is and what can be. Some participants focus on resisting and discrediting the stories and institutions that drive the status quo. Others focus on the stories and practices that build the new. Some address both. A key is to recognize that while resistance is essential to limit the damage, resistance alone is a losing strategy. For every no there must be a yes.

Shortly after the historic 1995 IFG teach-in, I joined with Sarah van Gelder and other colleagues to found YES! Magazine (<http://yesmagazine.org>), a nonprofit media organization dedicated to communicating powerful ideas and practical actions for transformational change. Our initial purpose was simply to keep alive the truth that there are deeply democratic, locally rooted alternatives to corporate rule and to a culture of individualism and materialism. Now as millions mobilize to make those alternatives a reality, we document and communicate the richness, variety, learning, and significance of their initiatives, reflect the varied emerging social movements

back to themselves, and facilitate the articulation and communication of a shared vision of hope and possibility. Van Gelder serves as editor in chief. Fran Korten, my life partner, serves as publisher and executive director. I serve as board chair.

For some years I had sensed that a viable human economy must organize the way the rest of nature organizes. Yet mainstream biologists seemed to work only within the narrow “competition for survival” frame of neo-Darwinism used by market fundamentalists to legitimate their life-destroying theories. They seemed as out of touch with life’s deeper processes as the economists who embrace market fundamentalism.

By chance, in 1996 I met Mae-Wan Ho and Elisabet Sahtouris, two leading advocates of the new biology. Both study living systems as self-organizing place-based cooperative communities. They observe that the evident competition within and between species is only one element of far more complex and fundamentally cooperative processes by which life organizes to maintain the conditions essential to its own existence. The underlying organizing principles of living communities in fact align to a remarkable extent with the principles of the community-based market economies envisioned by classical economists—of whom Adam Smith is the leading example.

I became an avid student of Ho, Sahtouris, and subsequently of Janine Benyus and Lynn Margulis. I explored the implications of their work for economic-system design in *The Post-Corporate World: Life after Capitalism*, which launched in 1999 at United Nations headquarters in New York City.

In the meantime, the IFG turned its primary attention from honing and documenting its critique of corporate rule to searching for a North-South consensus on an alternative governance framework for the global economy. We all shared a commitment to global justice and sustainability, but soon discovered some important and highly instructive differences in approach. Those of us from the geographical North were generally drawn to global solutions imposed by global institutions on national governments and local communities. Those from the geographical South noted that global solutions dictated by global institutions invariably favor the interests of the world’s wealthiest people and most powerful nations.

Our Southern colleagues favored local initiatives based on local resources, needs, and cultural preferences. This view aligns with the organizing principles of healthy living systems. Eventually, we reached a consensus that the proper approach is a system of global institutions that support individual nations and communities in finding their distinctive

path to justice and sustainability consistent with their resources, priorities, and values.

Under the skilled and heroic editorial leadership of John Cavanagh and Jerry Mander, we compiled and shared our conclusions in a report coauthored by twenty-one strong-minded intellectual activists of widely diverse backgrounds. The first edition of *Alternatives to Economic Globalization: A Better World Is Possible* was published in 2002. An updated and expanded edition was published in 2004. It continues to provide the best available institutional framework for a planetary system of local living economies.

In May 2001, Elisabet Sahtouris and I were invited by Social Venture Network, an alliance of extraordinary entrepreneurs at the authentic leading edge of the socially responsible business movement, to conduct a workshop exploring how living-system design principles might be applied to the design of a global system of community-based economies. That theme became the frame for SVN's fall 2001 conference. An after-conference workshop launched an initiative led by Judy Wicks and Laury Hammel, two visionary SVN leaders with a passionate commitment to the idea that the proper defining purpose of business is to serve life and community, to form the Business Alliance for Local Living Economies (BALLE), an alliance of local-economy initiatives throughout the United States and Canada. I served on the founding board through 2012.

Epic Challenge

In the summer of 2002, Fran and I were privileged to host our longtime friend and colleague Vandana Shiva at our Bainbridge home. We spent many hours with Shiva, a global living-economy activist extraordinaire from India, discussing the simultaneous collapse of the World Trade Center towers and the global resistance against corporate globalization.

Shiva noted that the mobilization of global civil society to thwart the misuse of trade agreements to circumvent democracy was based on the by then widely accepted critique of corporate globalization. Civil society, however, had no broadly accepted framework for addressing the larger and more visible threat to liberty and democracy: the forthright imposition of imperial rule by military force.

This conversation inspired *The Great Turning: From Empire to Earth Community*, which puts the corporate drive for global empire and the countervailing struggle for freedom in the deep historical context of a 5,000-year era of rule by institutions of imperial domination. Published in 2006, *The Great Turning* frames the challenge of carrying forward the

long transition from imperial rule to a deeply democratic self-organizing Earth community.

In the fall of 2008, Wall Street financial markets crashed. Interlocking financial obligations created by complex derivatives threatened to bring down the entire global economy. Governments, and in particular the US government, had no choice but to bail out the institutions responsible for the crash. Failure to do so would risk a total financial collapse in which bank accounts would disappear and all economic activity would halt—leaving us without jobs, food, electricity, gasoline, and most other essentials of daily life.

It seemed that the resulting public anger made it an ideal moment to issue a public call for a serious economic restructuring. I quickly published articles in *Tikkun* and *YES!* magazines making the case that we should stop trying to fix a phantom-wealth Wall Street economy dedicated to expropriating real wealth it had no role in creating. Instead, we should create real-wealth Main Street economies populated by businesses that provide good jobs producing beneficial goods and services in response to community needs.

Steve Piersanti, the president and publisher of Berrett-Koehler Publishers, read the *YES!* article. Late in the evening of November 24, 2008, he sent me an e-mail suggesting I expand the article into a short book. Two months later, with the amazing support of the Berrett-Koehler staff, I launched *Agenda for a New Economy: From Phantom Wealth to Real Wealth*, with its call to shut down the Wall Street casino, from the pulpit of the historic Trinity Wall Street Church at a national theological conference. That pulpit looks right down Wall Street. Life rarely gets better than that moment.

As I began writing *Agenda for a New Economy*, John Cavanagh—a longtime friend, IFG colleague, and head of the Institute for Policy Studies in Washington, DC—and I agreed to form an informal alliance of visionary colleagues we called the New Economy Working Group (NEWGroup). Based at IPS, NEWGroup works to shape and advance a practical, leading-edge national new-economy policy agenda. Cavanagh and I serve as co-chairs. We launched an expanded and updated second edition of *Agenda for a New Economy: From Phantom Wealth to Real Wealth* in 2010 as a publication of the NEWGroup.

For the Lack of an Authentic Story

In March 2012, I was a guest at a small gathering of indigenous environmental leaders convened to discuss the then-upcoming debates of the

Rio+20 UN Conference on Sustainable Development. In the conference's preparatory meetings, corporatists (those who promote corporate rule) proposed that to save nature we must put a price on her.

These indigenous leaders recognized that this proposal would accelerate the monopolization by the richest among us of the resources essential to human life. Their position was clear and unbending. Earth is our Sacred Mother and she is not for sale. Her care is our sacred responsibility. Her fruits must be equitably and responsibly shared by all. A number of nonindigenous environmental and economic justice groups embraced the Living Earth–mother theme and joined with the indigenous groups to promote a legal recognition of the rights of nature.

I was struck by the contrast between the two frames. For Wall Street, Earth is simply a pool of salable commodities. To reduce its use, raise the price. They fail to mention that this limits its use to those best able to pay.

For indigenous peoples, Earth is a living being, a self-organizing community of life that maintains the conditions essential to life and provides sustained flows of nutrients, water, and energy that all its members—including humans—require. It is our sacred human duty to assure the health of her generative systems. Their health and productivity must never be compromised. The services these system provide are a common birthright of all and their fruits are rightfully shared.

I was also struck by how clearly these two contrasting stories defined the essential difference between a phantom-wealth economy and a real-wealth economy. The nature and implications of this contrast became the foundational theme of *Change the Story, Change the Future: A Living Economy for a Living Earth*, published in 2015 and launched in a series of events at Pasadena All Saints Episcopal Church.

Disclosure Statement

The issues discussed in these pages are inseparable from basic questions of values, so it is appropriate that I disclose the underlying political and spiritual values I bring to the exchange. With regard to political values, I identify as a progressive. Yet I retain a traditional conservative's deep distrust of large institutions and any concentration of unaccountable power.

I also continue to believe in the importance of the market and private ownership, but as envisioned by Adam Smith, in contrast to the ideological vision of market fundamentalists. As I often note, I believe private property is such a good thing that everyone should have some. And we must each manage our piece in trust to pass it on in better health to those who follow us.

I have no more love for big business than I have for big government.

Nor do I believe that the possession of great wealth bestows a right to great privilege or political voice.

I share the liberal's compassion for the disenfranchised, commitment to equity, and concern for the environment. I also believe that there are essential roles for government and limits to the rights of private property. I recognize that big government can be as unaccountable and destructive to societal values as can big business. And I believe that every individual shares a responsibility to and for the whole of life.

In short, I align with those who are defining a new human path grounded in a pragmatic commitment to life as humanity's defining value and who seek a new public culture and deeply democratic governing institutions that support an emerging vision of a thriving living earth community. We of such persuasion do not easily find our place along the conventional conservative–liberal spectrum of political preference.

I am often called an economist because I speak and write about the economy. I am quite uncomfortable with that label.

I first encountered economics in college when I chose it as my undergraduate major. I soon found it mechanistic, boring, and detached from reality, so I switched to the study of human behavior and organization. I've since come to realize that what most economists peddle as settled science is grounded in moral bankruptcy and intellectual fraud. This is strong language, but our ability to navigate our way to a viable and prosperous human future requires that we confront uncomfortable truths with open eyes and truthful voices.

Although this book takes a harshly critical look at the institution of the corporation and the system within which business functions, I have never been, and am not now, anti-business. My dad was a successful hometown businessman for whom I had great respect. He loved money, but he also taught me a basic truth that was foundational to his business practice: "If you are not in business to serve your community, you have no business being in business."

An efficient system of industry and commerce is essential to human well-being. As an MBA student, I believed that global corporations might offer an answer to the problems of poverty and human conflict. I have since concluded, however, that the systemic forces nurturing the growth and dominance of global corporations are at the heart of the current human dilemma. I now believe that to avoid collective catastrophe we must radically transform the underlying system of business to restore power to the small and local.

With regard to spiritual values, I was raised in the Protestant Christian faith but find wisdom in the teachings of all the world's great religions. I

believe that each person has access to an inner spiritual wisdom and that our collective salvation as a species depends, in part, on tapping into this wisdom.

I believe that as we reawaken to our true nature as living beings, born of and nurtured by a living Earth born of a living universe, we may achieve the creative balance between market and community, science and religion, and money and spirit that is essential to the creation and maintenance of healthy human societies.

This Book

Part of our inability to come to terms with institutional systems failure stems from the fact that television reduces political discourse to sound bites and academia organizes intellectual inquiry into narrowly specialized disciplines. Consequently, we become accustomed to dealing with complex issues in bits and pieces.

Yet we live in a complex world in which nearly every aspect of our lives is connected in some way with every other aspect. When we limit ourselves to fragmented approaches to dealing with systemic problems, our solutions are certain to prove inadequate. If our species is to survive the crisis we have created for ourselves, we must develop a capacity for whole-systems thought and action.

When Corporations Rule the World presents an all-too-rare whole-systems perspective. In so doing it covers a broad territory with many elements. Each element is important. Even more important are the connections that allow us to see and understand the elements within a dynamic, whole-systems frame.

Whole-systems thinking calls us to be skeptical of simplistic solutions, to cultivate our ability to see connections between problems and events that conventional discourse ignores, and to find the courage to delve into subject matter outside our direct experience and expertise.

This book presents my synthesis. I am learning as you are learning. Exercise your own independent critical judgment. Construct your own synthesis. Always bear in mind that we are all participants in an act of creation. None of us can claim a monopoly on truth in our individual and collective search for an understanding of issues that in some instances are so complex they defy human understanding.

If you are among those who work in a large corporation, I urge you to step out of your corporate role and read *When Corporations Rule the World* from the perspective of your roles as a citizen and a parent concerned for the

future of your children. This may make it easier and less painful to hear and assess the book's underlying message objectively and to consider its invitation to join the movement to transform a terminally destructive system.

I am aware that what I say here may be particularly difficult for economists. If you truly believe that the frame and theories of mainstream economics represent settled science, then I suggest you put this book aside and avoid the emotional stress of outrage that reading it may provoke.

If, however, you harbor doubts about economic theory as currently taught and practiced, read on. We have urgent need for economists of open, critical, and disciplined mind to join in developing a new economics grounded in the values, logic, and lessons of healthy living systems.

Whatever the path that brought you to his book, I urge you to read it actively and critically. Question. Challenge. Bring your own perspectives and insights to bear. Consider the implications for how you live your life, and engage your activism. Discuss it with friends. Find where you agree, where you disagree, and where you find the presentation incomplete. Share insights and explore new avenues together. Take the conversation to a new level. And act.

Although the general direction we must travel becomes clearer with each passing day, no one has yet been where we must go. If we seek a well-marked road, we will search in vain. To borrow from the title of a book of conversations between Myles Horton and Paulo Freire, two of the great social activists of our time, we set our sights on a destination beyond the distant horizon and then "we make the road by walking."

INTRODUCTION

Capitalism and the Suicide Economy

Perhaps the greatest threat to freedom and democracy in the world today comes from the formation of unholy alliances between government and business. This is not a new phenomenon. It used to be called fascism. . . . The outward appearances of the democratic process are observed, but the powers of the state are diverted to the benefit of private interests.

—GEORGE SOROS, international financier

None are more hopelessly enslaved than those who falsely believe they are free.

—JOHANN WOLFGANG VON GOETHE

Twenty years ago, *When Corporations Rule the World* sounded a global alarm: The consolidation of power in a global economy ruled by corporations poses a growing threat to markets, democracy, humans, and life itself.

Unfortunately, subsequent events affirm all but extraneous details of the analysis. Corporate power is now more concentrated and operates ever further beyond human control. Its exercise is more reckless. Its political domination is more complete. Its consequences are more devastating. And system collapse is more certain and imminent.

All of this is now abundantly visible. People the world over have mobilized to resist and to build the foundations of a new life-serving economy in which money is a means, not an end.

As the devastation wrought by corporate rule accelerates, time grows

ever shorter. Replacing the suicide economy we have with the living economy we must bring forth is imperative, and we must accomplish it within a blink of history's eye.

If we are to move beyond the current system's deep dysfunction, we must understand its cultural and institutional sources and how they contrast with the design principles by which healthy living communities self-organize. In 1995, the year *When Corporations Rule the World* launched, the news was filled with reports of eye-popping corporate executive compensation packages, corporate downsizing, and the outsourcing of good-paying jobs to countries distinguished by their low wages and weak labor and environmental protections.

It proved to be a moment of awakening to the depth and implications of an unfolding global corporate takeover with ever more brutal consequences for families, communities, democracy, liberty, Earth, and the livelihood of billions of people. People were looking for explanations and answers that *When Corporations Rule the World* provided. Translated into twenty languages, it sold more than 150,000 copies and became an international classic.

Those who seek alternatives to the current system continue to find it an invaluable resource. Hence this 20th anniversary edition. A re-edited and more readable version of the original text is preceded by an updated prologue sharing insights from my personal experience as a participant in the growing new-economy movement. This all-new introduction presents lessons from the experience of twenty more years of capitalism's broken promises. An all-new conclusion outlines high-leverage opportunities for breakthrough change, and an updated epilogue shares thoughts on our human nature and purpose as living beings born of and nurtured by a living Earth itself born of a living universe.

The Ultimate Tyranny

I seldom used the term *capitalism* in the original edition of *When Corporations Rule the World*. The casual reader might therefore miss that it is a book about the structure and dynamics of capitalism stripped of its relentlessly promoted PR façade as the global champion of human liberty, democracy, and the market economy. In its literal meaning *capitalism* means rule by capital, more specifically rule by the owners of capital for their exclusive private benefit—or simply rule by money.

There are more idealized definitions of capitalism, but I refer to the real capitalism—the kind we are living with. This capitalism is grounded in an elitist ideology of individualism supported by an institutional system devoted to the concentration and abuse of wealth for the exclusive benefit

of a private ruling oligarchy. It is the capitalism that claims to champion democracy and markets even as it destroys them. The capitalism that claims to bring universal prosperity even while denying it to all but its most favored servants. The capitalism that destroys life to make money and organizes as a suicide economy that destroys the foundations of its own existence—and ours.

Though complex in the details of its implementation, capitalism concentrates wealth through an easily understood strategy grounded in a self-evident fact: our basic needs as humans, particularly the needs of our young, are such that we survive and thrive as a species only as members of functioning families and communities.

In traditional pre-money gift economies, the relationships that bind the community into a functioning unit are defined primarily by mutual caring and commitment. In a monetized market economy these relationships are defined primarily, even exclusively, by money at the expense of the mutual caring and commitment essential to individual happiness and healthy social function.

The implications of the difference are profound. In a gift economy our survival and well-being depend on the cultivation and exercise of our capacity for love and our sense of responsibility to and for the community of which we are a part. In the monetized market economy our survival and well-being depend on money—and therefore the institutions that control our access to money.

In the fully developed capitalist economy, this means we are reduced to dependence for our basic means of living on the corporations that the oligarchs create to leverage their own financial power with the savings of others in order to acquire and manage assets far beyond their own individual means. Programmed by its internal structures to value only money in service to the demands of distant and impersonal financial markets for ever-greater profits, the corporation behaves like a money-seeking robot systematically expropriating and destroying the real wealth of living communities to make money—phantom-wealth accounting tokens—unrelated to anything of real value.

We comply because the public culture cultivated by the corporate media, educational institutions, and even some religious institutions conditions us to equate money with wealth and the making of money with wealth creation. Thus, we accept the fiction that a growing gross domestic product (GDP) means that corporate rule is making us richer as a society—ignoring its destruction of the real wealth on which our health and well-being ultimately depend.

Billionaire financiers and the CEOs of global mega-corporations may

appear to be in charge. They may believe they are in charge. They receive lavish rewards beyond the dreams of the most powerful of former kings and emperors.

They are, however, but well-compensated servants. The system is master. No one of them—indeed no group of them—has the power from within to turn the inherently unjust and destructive system from the service of money to the service of life. Those who presume they can—even though they may truly believe it—become party to a deception that diverts attention from the essential work of deep system change.

The greater our dependence on money, the greater the hold the ruling corporate robots have over our lives. They control both the creation and allocation of money and our access to food, water, housing, energy, transportation, education, health care, entertainment, recreation, and the other basics of a healthy, prosperous life. The more complete their control, the greater their ability to reduce the people who do the real work of producing real goods and services to ever more desperate subservience.

We more easily recognize tyrannies imposed by a highly visible police and military force. By contrast, capitalism's mechanisms of control are subtler and largely invisible. Those it enslaves, though they may live in desperation, may be unaware of the true nature and cause of their condition and even believe themselves to be free.

Promise versus Reality

When Corporations Rule the World first launched in 1995. Implementation of the North American Free Trade Agreement (NAFTA) began the year before. The agreement had won congressional approval based on assurances to the public that removing national borders as barriers to the free movement of goods and money would bring peace, prosperity, and good jobs to all. People were just beginning to question the credibility of these promises.

NAFTA is now old news, but it merits special attention here for three reasons:

1. It provides a powerful demonstration of the yawning gap between what capitalism promises and what it delivers.
2. It illustrates the process by which capitalism extends and deepens the corporate control of markets and resources to expropriate ever more of society's real wealth at the expense of working people, taxpayers—and the rest of nature.
3. It is the model for subsequent trade agreements, including the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment