

BROAD, SUNLIT, UPLANDS

By Ed O'Rourke

Many have written about the economic meltdown's causes and have proposed significant reforms. David C. Korten's book, *Agenda for a New Economy: From Phantom Wealth to Real Wealth* (Berrett-Koehler Publishers, 2009, 196 pages) draws a roadmap to a green economy that will deal with climate change and bring a more just world with prosperity. Beyond this, he is the first well-known environmentalist to include war abolition as an ingredient to an environmental future.

The free market fundamentalists' economic system has failed even on its own terms inflicting environmental and social distress. The term "free market" is a code word for an unregulated market that allows the rich to consume and monopolize resources for personal gain free from accountability for the broader social and environmental consequences. The free market has been good at "financial speculation, corporate asset stripping, predatory lending, risk shifting, leveraging, and creating debt pyramids." Wall Street performed its unstated goal of making a few people fabulously wealthy while generating no value in return. With all the complaints about welfare, the American economy has meant socialism for the rich and capitalism for the poor. The rich have been successful at waging class warfare. From 1980 to 2005, the highest earning 1% increased their taxable income share from 9% to 19%.

Early in his book, he gives examples rather than definitions of phantom and real wealth. Phantom wealth includes financial assets created by debt pyramids in which financial institutions engage in complex trading and lending schemes based on fictitious or overvalued assets to generate phantom profits and justify outrageous management fees. The players at each step in the process earned fees and commissions and then passed the responsibility on to the next person in line. Wall Street experts, the Bush administration, and the business media should have realized that something was wrong well before the

Bank for International Settlements reported in June, 2008 that the notional value in outstanding over-the-counter derivatives hit \$648 trillion (not billion).

Many people thought this fictitious wealth was the real thing. Some years ago, David Korten had a conversation with Malaysia's forestry minister who told him that his country would be better off if he arranged to cut down all the trees and put the proceeds into interest-bearing assets because the interest grew faster than normal forestry earnings. Mr. Korten imagined a hideous barren Malaysia landscape inhabited only by banks with computers counting the interest.

As opposed to phantom wealth, real wealth includes "healthful food, fertile land, pure water, clean air, caring relationships and loving parents, education, health care, fulfilling opportunities for service, and time for mediation and spiritual reflection."

The unstated bias in business school is to emphasize phantom wealth such as the gross domestic product (GDP) which does not measure well being but rather counts how fast the economy generates toxic waste, prisons, useless products, and war. A better measure of living standards is the Happy Planet Index which counts life satisfaction, life expectancy, and the ecological footprint.

The publicly traded limited liability corporation is more accurately described as a pool of money with special legal rights and protections or a criminal syndicate running a lucrative extortion racket rather than an entity looking out for the public good. "We have for too long put up with an economic system designed to make money for rich people and maintain them in a condition of obscene excess, to confine billions to desperation, and to reduce Earth to a toxic waste dump."

David Korten makes recommendations for reforms that are far more sweeping than those in the New Deal. He would require every corporation to clearly state its purpose in its charter with the corporation's performance subject to public review. Those corporations that consistently violate the law or act beyond their charter would lose the charter and liquidate their existence. Since "political rights belong to people, not to artificial entities, corporations should be prohibited from efforts to influence elections or legislation. A first step would be to eliminate all tax exemptions for corporate expenditures related to lobbying, public 'education,' public charities, or political organizations of any kind."

He would absolutely forbid “any selling, insuring or borrowing against an asset that you don’t really own, and insuring any security not backed by a real asset.” This would eliminate the derivatives forever. Regulatory authorities should “place strict limits on leveraging by financial institutions and establish reserve and capital requirements for institutions in the business of selling insurance of any kind.”

He advocates other reforms:

- When corporations decide to close or sell a plant, require them to give workers and community groups the opportunity to buy the plant on preferential terms.
- Impose a luxury tax on socially harmful or environmentally destructive products, such as personal jet aircraft and ocean-going yachts.
- Since ratios between the highest paid officers and the lowest paid workers that can reach 1,000 to 1 are unconscionable, limit this ratio to no more than 15 to 1.
- Order the Treasury Department to take over the failed banks, fire the management, and start a divestment process by selling their retail units to local investors to operate as independent community banks.

Our military posture is a hindrance to our survival. “Our most certain security threats come from weather chaos, oil dependence, the disruption of food supplies, water scarcity, the social stress of community disintegration and extreme inequality, catastrophic health care costs, and financial collapse. Our primary national security commitment has been to maintain an outsized military establishment, to engage in pointless foreign wars, and to construct new prisons—all of which in the bigger picture make us less secure.”

Renouncing war as a foreign policy instrument and reducing our defense budget by at least 75% will enhance our security. Transfer current military resources to “education, health care, environmental rejuvenation, and an energy retrofit of our infrastructure.” Since the terrorists will not amass an army and the Chinese can destroy the American economy simply by no longer buying our debt, I have no rational idea why

the United States needs the current military force. The answer is the defense corporations' lobbying power, fear mongering, and nothing else.

Our foreign policy stinks. "The United States converted dictatorships into client states by giving the ruling classes a choice of aligning themselves with U.S. economic and political interests and sharing in the booty or being eliminated by assassination, foreign-financed internal rebellion, or military invasion"

Again, David Korten is the first famous environmentalist to see the link in humankind's survival and war abolition. In a revised edition or another book, I hope that he deals with the greatest obstacle to war abolition. Many have the idea that war is an integral part of the human makeup. I know from personal experience that people accept some thoughts as axiomatic when the same thoughts have no basis in fact. For example, I was born in Houston in 1944. Growing up in the 1950s, the social message was that black people were inferior. Before Pearl Harbor, there was a wide spread notion that the Japanese were inferior pilots with inferior planes. How wrong we were about both matters.

There was an academic conference in Seville, Spain in 1986 which dispelled the notion that men are hardwired for war. See an excerpt:

"Believing that it is our responsibility to address from our particular disciplines the most dangerous and destructive activities of our species, violence and war; recognizing that science is a human cultural product which cannot be definitive or all-encompassing; and gratefully acknowledging the support of the authorities of Seville and representatives of Spanish UNESCO; we, the undersigned scholars from around the world and from relevant sciences, have met and arrived at the following Statement on Violence. In it, we challenge a number of alleged biological findings that have been used, even by some in our disciplines, to justify violence and war. Because the alleged findings have contributed to an atmosphere of pessimism in our time, we submit that the open, considered rejection of these misstatements can contribute significantly to the International Year of Peace."

(See the entire Statement here: <http://www.unl.edu/rhames/courses/current/seville.htm>)

Many have pointed to this “Statement on Violence” as merely musings from do-gooders. I accept that many are unconvinced but look at the situation the other way around. *There is no academic study showing that war is innate in man’s nature.*

The reforms that David Korten advocates are more like the French Revolution without bloodshed than the New Deal. With Roosevelt’s New Deal, the capitalist class remained a powerful force. Now, they have served their purpose and must now take a back seat. During the Middle Ages, the nobles and the clergy performed worthwhile functions in administering a society. After all, there were only a few people who could read or write, especially before the printing press. When Europe developed a more complex and diverse economy, their services were less helpful but they maintained what had become unearned privileges. The French Revolution marked a political, social and economic rearrangement. With David Korten’s model, the United States will have few large enterprises and many locally-based companies. With diminished corporate economic power will come diminished political and lobby power.

This is a hopeful picture. Let us abolish abject poverty everywhere. May citizens everywhere walk in broad, sunlit uplands. History buffs will recognize the source for the last sentence as a Winston Churchill reference from his finest hour speech. “Hitler knows that he will have to break us on this Island or lose the war. If we can stand up to him, all Europe may be free and the life of the world may move forward into broad, sunlit uplands. But if we fail, then the whole world, including the United States, including all that we have known and cared for, will sink into the abyss of a new Dark Age made more sinister, and perhaps more protracted, by the lights of perverted science.”

If humankind fails to respond to the environmental change crisis, the results will be far worse than Nazi enslavement. My feeling is that humans will rise to the challenge and we will walk hand in hand in bright, sunlit uplands.

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