life after capitalism

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Capitalism destroys the main planks on which most of us wish to build our societies - democracy, a market economy, and an ethical culture. Consequently, we need to adopt policies which are almost exactly the opposite of those being followed at present.

We live in a world being pillaged by the institutions of global capitalism to enrich the few at the expense of the many. It has become more than just a political issue. We have reached the point in human history at which the very survival of civilisation and perhaps our species depends on replacing these rogue institutions with institutions supportive of democracy, market economies, and ethical cultures that function in service to life and community. Yes, your heard me right. We must replace the global capitalist economy with democracies and market economies. Now how's that for a radical idea?

For those of us who grew up believing that capitalism is the foundation of democracy, market freedom, and the good life it has been a rude awakening to realise that under capitalism, democracy is for sale to the highest bidder, the market is centrally planned by global mega-corporations larger than most countries, the elimination of jobs and livelihoods is rewarded as an economic virtue, and the destruction of nature and life to make money for the already rich is viewed as progress. Let us speak truth tonight. Global capitalism is not democratic and it systematically violates every principle of a market economy.

Under global capitalism the world is ruled by a global financial casino staffed by faceless bankers, money managers, and hedge-fund speculators who operate with a herd mentality that sends exchange rates and stock prices into wild gyrations unrelated to any underlying economic reality. With reckless abandon they make and break national economies, buy and sell corporations, and hire and fire corporate CEOs--holding the most powerful politicians and corporate managers hostage to their interests. When their bets pay off they claim the winnings as their own. When they lose, they run to governments and public institutions to make up their losses with cries that the financial skies will fall if they are forced to suffer the market's discipline.

Contrary to its claims, capitalism's relationship to democracy and the market economy is much the same as the relationship of a cancer to the body whose life energies it expropriates. Cancer is a pathology that occurs when an otherwise healthy cell forgets that it is a part of the body and begins to pursue its own unlimited growth without regard to the consequences for the whole. The growth of the cancerous cells deprives the healthy cells of nourishment and ultimately kills both the body and itself. Capitalism does much the same to the societies it infests.

Another way of characterising our situation is that we find ourselves unwitting participants in an epic contest between money and life for the soul of humanity. And it comes down to a fairly literal choice as to which we value more--our money or our lives.

The cultural and institutional choices we must now make in the favour of life will require changes of a scope and speed unprecedented in human history. Fortunately, we find ourselves facing this challenge at the very moment in our history at which we have acquired the knowledge, the technology, and the organisational capacity to negotiate the required changes successfully. The main question to be resolved is whether we will find the collective wisdom and the will to act in time.

It is a question that must be resolved individual-by-individual, community by community, and nation by nation. In some places, citizen movements are already engaging it on a national scale--as in the Philippines, Chile, and Thailand. Just last month I had the privilege of participating in new initiatives emerging in Hungary, Finland, and Norway.

But to my knowledge there is no country in the world in which the process has gained so much momentum as here in Canada in a wide range of initiatives such as alternative budgeting exercises, the Citizen's Agenda and MAI inquiry processes being led by the Council of Canadians, and initiatives of many groups such as the Parkland Institute and the Western Affairs Committee. This momentum gives you a special opportunity for global leadership. It also means you face the special challenge always presented to those who choose to sail in uncharted waters. You have no map and I have no map to offer, but I do hope to leave you with a few useful navigational devices.

At its core, the root cause of our collective crisis is two fold: a failure of our values and a failure of our institutions. We have created a global culture that values money and materialism over life itself. In our pursuit of money we have given the institutions of money--banks, investment houses, financial markets, and publicly traded corporations--the power to rule over life. Recognising only financial values, accountable only for money's replication, and wholly unmindful of the needs of life, these institutions are wantonly destroying life to make money. It's a bad bargain.

Our flawed choice results in part from our nearly universal failure to distinguish between money and real wealth. An experience I had a few years ago in Malaysia illustrates the distinction I have in mind. I had a brief encounter with the minister responsible for Malaysia's forests. Seeing that I was Western and assuming I was probably an environmentalist, he wasted no time in poking my buttons by explaining to me that Malaysia would be better off once its forests are cleared away and the money from the sale is stashed in banks to earn interest, because the financial returns will be greater. The image flashed into my mind of a barren and lifeless Malaysian landscape populated only by branches of international banks, with their computers faithfully and endlessly compounding the interest on the profits from Malaysia's timber sales. It is a metaphor that sums up all too well the future to which our confusion of money and real wealth is leading us.

The very vocabulary of finance and economics is a world of double speak that obscures such essential distinctions. For example, we use the terms money, capital, assets, and wealth interchangeably, leaving us with no simple means to express the difference between money--a number that by social convention we agree to accept in return for things of real value--and real wealth--which includes such things as trees, food, our labour, fertile land, buildings, machinery, technology--even love and friendship--things that sustain our lives and increase our productive output. It leaves us prone to the potentially fatal error of assuming that when we are making money we are necessarily creating wealth. As we become ever more dependent on money to acquire the basic means of daily life, we give over to the institutions and people who control money's power and allocation the power to decide who among us shall live in prosperity and who shall live in destitution.

Similarly, we politely use the term investor when we speak of the speculators whose gambling destabilises global financial markets. Indeed we favour them with tax breaks and special protections. Language makes a difference. If we called them by their real names--speculators, gamblers, and thieves, they would be subjects of public outrage--as they should be.

As a medium of exchange money is one of the most important and useful of human inventions. However, as we become ever more dependent on money to acquire the basic means of daily life, we give over to the institutions and people who control money's creation and allocation the power to decide who among us shall live in prosperity and who shall live in destitution--even suffer premature death. With the virtual elimination of subsistence production the increasing breakdown of community and public safety nets, our modern money system has become possibly the most effective instrument of social control and extraction ever devised by human kind.

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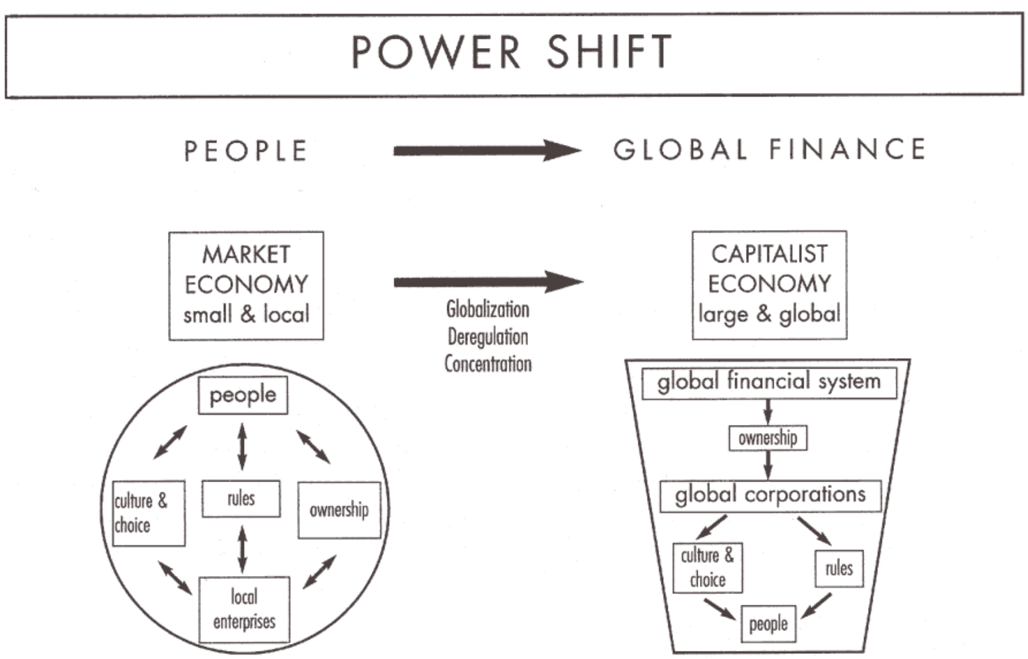
The term "capitalism" now means much the same thing it did in the mid-1800s when it was coined to refer to an economic and social regime in which the ownership and benefits of productive assets are appropriated by the few to the exclusion of the many who through their labour make the assets productive. Modern capitalism has taken this concentration of wealth to a truly unconscionable extreme. In 1991 there were 274 billionaires in the world. By 1996 their numbers had increased to 447. Their total assets were roughly equivalent to the total combined incomes of the poorest half of humanity. Between 1996 and 1997, a single billionaire, Bill Gates of the Microsoft Corporation increased his net worth by $18 billion, a gain roughly equal to the total income shared by the 11 million people of Zimbabwe over that same one year period. Dwell on that for a moment. An income ratio of 11 million to one.

As outrageous as such inequality is, the most sinister aspect of modern capitalism is not its concentration of wealth in the hands of a tiny, greedy elite. It is about an institutional system of autonomous rule by money and for money that functions on autopilot beyond the control of any human actor and is unresponsiveness to any human sensibility. This is perhaps the most critical distinction between a market economy and our contemporary global capitalist economy.

In a healthy market economy enterprises are human-scale and predominantly locally owned. Economic exchanges are shaped and controlled by people through the expression of their cultural values, their purchasing decisions, their democratic participation in setting the rules by which the market will function, and their ownership of local enterprises as local stakeholders with an interest in the community and its well-being. It is a dynamic and interactive system in which people participate in many roles and bring their human sensibilities to bear on every aspect of economic life--a distinction I attempt to capture below.



Political democracy and the market economy work well together as means of organising the political and economic life of a society to allocate resources fairly and efficiently while securing the freedom and sovereignty of the individual. They provide an institutional foundation for self-organising societies able to function with a minimal need for central coercive control. The special magic of the market is its ability to reward those who do productive work responsive to the self-defined needs of others as they add to the total wealth and well-being of society.

Capitalism, by contrast, is about using money to make money for people who already have more of it than they need. It rewards the monopolist and the speculator at the expense of those who do productive work. Its institutions, by their very nature, breed inequality, exclusion, environmental destruction, social irresponsibility, and economic instability while homogenising cultures, weakening the institutions of democracy, and eroding the moral and social fabric of society.

I am amused when I hear the apologists for capitalism saying that the mistake in Russia was to introduce capitalism too fast before the values and institutions of capitalism were put into place. In fact Russia demonstrates capitalism's values and institutions at their most advanced state of development. It is a country with virtually no rules and no government in which the strongest and best organised are free to steal whatever they can get their hands on. I'll return to the Russian experience later.

We are often told that deregulation and economic globalisation are necessary to free the market. In fact, efficient market function depends on both regulation and borders. What deregulation and economic globalisation actually free are the forces of capitalism's attack on democracy and the market. Without regulation and borders, financial markets merge into a single unregulated electronic system able to create money with reckless abandon through bank lending to support speculative excesses. Similarly, global corporations consolidate and concentrate their power through mergers, acquisitions, and strategic alliances beyond the reach of any state. Economic power becomes formally delinked from concern for any person or place as absentee ownership and its dysfunctions becomes institutionalised on a global scale through the aggregation of savings into professionally managed retirement, trust, and mutual funds that have a legal fiduciary responsibility to maximise financial returns to their clients without regard to social and environmental consequences.

Acting as proxy owners of the corporations whose shares they hold, the fund managers expect the managers of these corporations to take a similarly narrow view of their responsibilities and send them a powerful message. A fair profit is not enough. Annual profits must be constantly increased at a rate sufficient to produce the 20 to 40 percent annual increase in share price the markets have come to expect. The corporate head that succeeds is well rewarded. The average annual compensation of the head of a U.S. corporation, much of it in stock options, is now $7.5 million a year. Those who fail lose credibility with the financial community and may invite a take-over bid or ejection by large shareholders. How the corporation increases it profits isn't the market's concern. As they say at the Nike Corporation: "Just do it."

The global corporation responds by using its great power to reshape cultures, limit consumer choices, pass costs onto the public, and press governments to provide subsidies and rewrite the rules of commerce in their favour. Commonly the corporation responds in ways that destroy the most precious of all wealth, the living capital of the planet and the society on which all life and the fabric of civilisation depend.

It destroys living capital when it strip-mines forests, fisheries and mineral deposits, aggressively markets toxic chemicals and dumps hazardous wastes. It destroys human capital by maintaining substandard working conditions in places like the Mexican maquiladoras where corporations employ once vital and productive young women for three to four years until failed eyesight, allergies, kidney problems, and repetitive stress injuries leave them permanently handicapped and they are replaced with a new batch. It destroys social capital when it breaks up unions, bids down wages, and treats workers as expendable commodities, leaving society to absorb the family and community breakdown and violence that are inevitable consequences. It destroys institutional capital when it undermines the function of governments and democracy by buying politicians, weakening environmental health and labour standards, and extracting public subsidies, bailouts and tax exemptions which inflate corporate profits while passing the burdens of risk to governments and working people.

Living capital, which has the special capacity to continuously regenerate itself, is ultimately the source of all real wealth. To destroy it for money, a simple number with no intrinsic value, is an act of collective insanity--which makes capitalism a mental, as well as a physical pathology.

Once we look seriously at the issue of externalised costs we begin to see just how grossly inefficient global capitalism actually is. Ralph Estes, a certified public accountable who teaches at American University in Washington, DC. developed an inventory of studies that have produced serious estimates of the costs that corporations impose on U.S. society each year through such things as defective products, unsafe working conditions, and environmental discharges. He didn't even include direct subsidies and tax breaks. He came up with a figure of $2.6 trillion a year in 1994 dollars. That is five times corporate profits for that year and 37 percent of U.S. GDP. We would never tolerate such inefficiency from government.

Beginning with Adam Smith, market theory has been quite explicit that market efficiency results from small, locally owned enterprises competing in local markets on the basis of price and quality for consumer favour. By contrast, what we know as the global capitalist economy is dominated by a handful of gigantic corporations and financial speculators with billions of dollars at their disposal to reshape markets and manipulate prices. If we consider the gross sales of a corporation to be roughly the equivalent of the GDP of a country, we find that of the world's 100 largest economies, 51 are economies internal to corporations. Only 49 are national economies.

This has an interesting implication. The proponents of capitalism continuously tell us that market economies are more efficient and responsive to consumer needs than centrally planned economies. But the economy internal to a corporation is not a market economy. It is a centrally planned economy--centrally planned by corporate managers to maximise financial returns to themselves and their shareholders. No matter what authority the head of a corporation may delegate, he can with draw it with a snap of his fingers. In the U.S. system, which is rapidly infecting Europe and the rest of the world, the head of a corporation can virtually hire and fire any worker, open and close any plant, change transfer prices, create and drop product lines almost at will--with no meaningful recourse by the persons or communities affected. Indeed, the power of a corporate head to dictate policy and action within the corporation's internal economy would have made any Soviet planner green with envy.

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Ironically, the global victory of capitalism is not a victory for the market so much as it is a victory for central planning. Capitalism has simply shifted the planning function from governments--which in theory are accountable to all their citizens--to corporations--which even in theory are accountable only to their shareholders. The global capitalist economy is dominated by a handful of gigantic corporations and financial speculators with billions of dollars at their disposal to reshape markets and manipulate prices.

We are moving very fast toward ever-greater consolidation of this unaccountable corporate power. In the United States the total value of corporate mergers and acquisitions has increased at a rate of nearly 50 percent a year in every year save one since 1992. We see a similar pattern being played out around the world as Wall Street investment banks bring their gun slinging ways to the rest of the world.

Just to give you an idea of the degree of concentration-- In 1995, the combined sales of the world's top 200 corporations equalled 28 percent of total world GDP. Yet these corporations employed only 18.8 million people, less than 1/3 of one percent of the world's population.

The direct destruction of life to make money is only one of the destructive features of global capitalism. Another centres on the processes by which speculators seek to make money from money without any intervening involvement in productive activity. It is known as the stage of finance capitalism. It is here we encounter the source of the financial instability that has devastated economy after economy--from Brazil and Mexico, to Japan, Thailand, Malaysia, Indonesia, South Korea, and Russia.

The scale of the speculation involved is suggested by the fact that nearly $2 trillion now change hands in the world's currency markets each day. This is far more money than controlled even by the most powerful of central bankers. Only about 1 percent of this $2 trillion is related to trade in any sort of real goods or services. The rest of it is purely speculative money looking for quick returns when the boom is on and safe havens when the bubbles are bursting. Though unrelated to anything real, these money movements do have real world consequences.

Last month when I was visiting Norway they told me how a speculative raid on the Norwegian Kroner forced Norway's interest rates up by 2%, raising the cost of living for every Norwegian. A few weeks ago the integrity of the entire U.S. banking system was threatened when bets on the Russian rubble made by a single hedge fund called Long-term Capital Management went bad. It turned out that the fund had $25 in bank loans for every dollar in equity and a financial risk exposure of more than $1 trillion in derivatives. The total borrowing was sufficient to threaten the financial integrity of a number of large banks if the fund were to go bankrupt. Some hedge funds are leveraged as high as 100 to one and there are an estimated 4,000 such funds in the world trafficking in trillions of dollars in financial derivatives--most of which are little more than sophisticated gambling instruments.

During a two day period last month, the U.S. dollar fell by 15 percent against the yen--primarily the result of large hedge funds unwinding from bad bets they had made based on expectations that the yen would fall against the dollar. This fundamentally changed the terms of trade between the two countries, resulting in significant changes in the sales prospects for thousands of legitimate businesses in both countries, with all the related implications for their workers, suppliers and the communities in which they are located..

These swings had nothing to do with any change in underlying economic reality. When a currency collapses due to the actions of speculators there is no change in either the country's productive capacity or in the needs of its people. There is often, however, a drop in actual output for the simple reason that banks left with uncollectable loans stop lending and the money supply dries up--leaving the economy with insufficient money to finance real production and exchange. The cases of Thailand and Russia are especially instructive.

In 1997, financial market's turned Asia's much-touted financial miracle into the Asian financial meltdown. While the details differed by country, Thailand's experience is illustrative of the basic dynamic.

During the latter days of its economic miracle period, Thailand was attracting large inflows of foreign money with high interest rates. These inflows fuelled rapidly growing financial bubbles in stock and real estate prices. The inflated bubbles attracted still more money. Much of the money was created by international banks eager to profit from loans to the speculators. Generally the inflated assets secured these loans. Little if any of the inflow of foreign money was used to finance any increase in the country's productive potential. Most commonly it financed a rapid growth in the importation of luxury consumer goods--which created the illusion of prosperity and a booming economy.

Since speculation in stocks and real estate was producing much higher returns than were productive investments in industry and agriculture, the real entrepreneurs who are invested in productive industrial and agricultural enterprises stopped investing in maintaining the productive potential of the own enterprises, instead siphoning off the cash flow to participate in the speculative frenzy. Real production stagnated or even declined in both agriculture and industry. Exports also began to decline. Thus the faster so called "foreign investment" flowed in, the faster real productivity capacity and the possibility of paying off the skyrocketing foreign debts declined. Once the speculators realised their money was at increasing risk, they started pulling out their money and the meltdown phase began. Stock and real estate prices plummeted, banks and other lending institutions were left with large portfolios of uncollectable loans. Financially impaired, the banks stopped making loans even for legitimate businesses, a liquidity crisis ensued and financial collapse threatened.

The Wall Street bankers and investment houses that had helped to create the crisis through their speculative excesses and reckless lending--inveterate champions of the free market when the profits were rolling in--responded in typical capitalist fashion. They ran to governments and the IMF for public bailouts.

In the case of Russia I don't recall that there ever was a time when people were talking about Russia's miracle economy. Yet most of us do recall that not so long ago the Soviet Union was considered a major industrial power and a significant military threat by the West.

Now, having embraced capitalism under the tutelage of the IMF and legions of Western advisors, Russia has become an economic and social basket case. Over a seven-year period GDP has fallen at least by half and possibly by as much as 83 percent. Capital investment has fallen by 90 percent, meat and dairy livestock herds by 75 percent. Except for energy, the country is no longer able to produce much of anything. Most consumer goods, especially in the large cities, are now imported. Tens of millions of people are not receiving earned salaries. Male life expectancy has fallen to 57 years. An estimated 15 million people are actually starving and malnutrition has become the norm among school children. Money is so scarce that an estimated half of all transactions are by barter.

Yet in spite of the economic depression, in 1997 Russia had one of the world's highest performing stock marketsÑfuelled by generous loans from Western bankers. Then in the late spring of 1998, the market turned downward and investors started pulling money out of the country. Russian suspended payment on its foreign debt, depositors were unable to withdraw their money from Russian banks, and store shelves emptied of goods as foreign suppliers cut off deliveries. Real economies are becoming mortgaged to the global financial system as domestic capacity to sustain real beneficial production declines.

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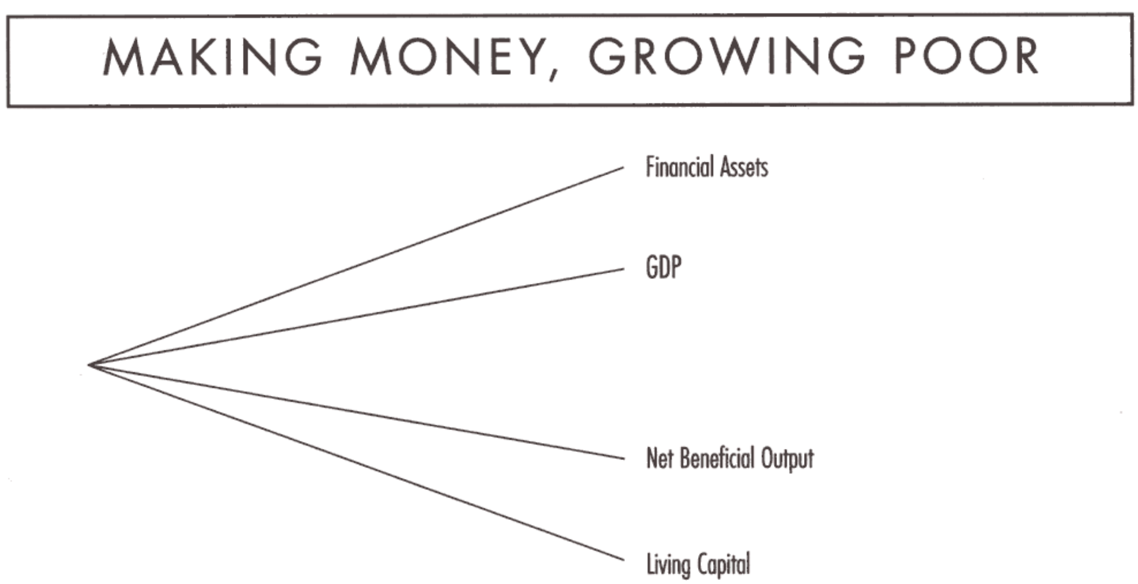
We see important parallels in the Thai and Russian experiences. Both involve implementing IMF recommended policy actions to remove barriers to the free flow of goods and money in and out of the country, while maintaining high domestic interest rates. This encouraged large inflows of foreign money as loans and stock investments. Those who were invested in productive enterprises found the returns did not compete with the returns from stock and real estate speculation. So real enterprise were decapitalised and domestic production fell. Export earnings fell as dependence on imports to meet daily needs increased. This in turn meant that ever-greater foreign portfolio investments were needed to finance consumer imports. Since there was no prospect of being able to repay the now inflated foreign financial claims, financial collapse became inevitable--all thanks to what the IMF and World Bank tout to the world as sound economic policies.

There is reason to believe that something similar is happening to nearly every country in the world. Real economies are becoming mortgaged to the global financial system as domestic capacity to sustain real beneficial production declines.

I now draw your attention to the diagram below. A study by McKinsey and Company found that since 1980, the financial assets of the OECD countries have been growing at two to three times the rate of growth in gross domestic product (GDP) - a result of inflating assets values through pumping up financial bubbles. This means that potential claims on economic output are growing from two to three times faster than the growth in output of the things that money might be used to buy.



The distortions go far deeper, however, because an important portion of the output that GDP currently measures represents a decrease, rather than an increase, in our well-being. When children buy guns and cigarettes, the purchases count as an addition to GDP--though no sane person would argue that this increases our well-being. An oil spill is good, because it generates expensive clean up activities. When a married couple gets divorced, that too is good for GDP. It generates lawyerÕs fees and requires at least one of the parties to buy or rent and furnish a new home. Other portions of GDP represent defensive expenditures that attempt to offset the consequences of the social and environmental breakdown caused by harmful growth. Examples include expenditures for security devices and environmental clean up. GDP further distorts our reality by the fact that it is a measure of gross, rather than net domestic product. The depreciation or depletion of natural, social, human, institutional, and even human-made capital is not deducted. So when we cut down our forests or allow our physical infrastructure to deteriorate, there is no accounting for the loss of productive function. We count only the gain.

Economists in the United States, the U.K., Germany, the Netherlands, and Australia have adjusted reported GDP for their countries to arrive at figures for net beneficial economic output. In each instance they have concluded that in spite of substantial economic growth, the economy's net contribution to well-being has actually been declining or stagnant over the past 15 to 20 years.

Yet even the indices of net beneficial output are misleading as they do not reveal the extent to which we are depleting the underlying base of living capital on which all future productive activity depends. I know of no systematic effort to create a unified index giving us an overall measure of the state of our living capital. However, what measures we do have relating to the depletion of our forests, soils, fresh water, fisheries, the disruption of our climatic systems, the unravelling of our social fabric, the decline in educational standards, the loss of legitimacy of our major institutions, and the breakdown of family structures give us reason to believe that the rate of depletion of our living capital is even greater than the rate of decline in net beneficial output. This is represented by the sharply downward sloping line.

The indicators of stock market performance and GDP our leaders rely on to assess the state of the economy create the illusion that their policies are making us rich--when in fact they are impoverishing us. Governments do not compile the indicators that reveal the truth of what is happening to our wealth and well-being. And the power holders, whose financial assets are growing, experience no problem. In a global economy their money gives them ready access the best of whatever real wealth remains. Those whom capitalism excludes have neither power nor voice.

We are just beginning to wake up to the fact that the industrial era has in a mere century consumed a consequential portion of the natural capital it took evolution millions of years to create. It is now drawing down our social, institutional and human capital as well.

As we watch the social and economic devastation that capitalism spreads in its wake across the globe the time has come for some serious truth telling, starting with the stark truth that unbridled capitalism is a disastrous failure.

Those familiar with market theory know that a market can function efficiently only within a framework of rules that maintain certain necessary conditions. There must be rules and incentives to limit the growth and power of individual firms, encourage local ownership, and require firms to internalise their costs. Therefore, our goal should not be to eliminate necessary regulation, but rather to make it sensible and effective.

It is here that we experience the new global capitalism at its most perverse. NAFTA, GATT, the World Trade Organisation, and the proposed Multilateral Agreement on Investment all turn the necessary practice of market regulation on its head. To restore market efficiency and the equity essential to the legitimacy of its institutions, we must police global corporations to insure their adherence to essential market principles. Yet the international agreements and institutions in place and under negotiation not only fail to serve this need, they do exactly the opposite. They install corporate dominated mechanisms to police democratically elected national and local governments to keep them from protecting the public from the excesses of global financial markets and the world's largest and most powerful corporations.

The Multilateral Agreement on Investment--the infamous MAI--is only the most recent of such agreements. It seeks to create a global ruling class comprised of stateless corporations and absentee owners who enjoy the automatic rights of citizenship everywhere, but with none of the obligations that citizenship normally implies. It would also establish that the right of a corporation to profit at the expense of society takes priority over the right of a country's people to protect their prosperity, health, and safety from harmful products and practices.

The MAI is designed to guarantee the presumed right of global corporations to deplete living capital for profit and of financial speculators to create or flee financial bubbles without restriction or regard for the economic disruption thereby created. And it obligates governments to protect the property of absentee owners from the actions of irate citizens whose jobs, health, and economic security are being destroyed for short-term profit. It is possibly the most actively anti-democratic international agreement ever proposed by supposedly democratic governments.

It will take more than protest to save us from capitalism's destructive powers. We must work together to create a positive vision of the world that can be. I believe we stand at a defining moment in our own history and in the evolution of life on this planet. The time has come when we, as a species, must accept conscious collective responsibility for the consequences of our presence on the planet.

To create a world in which life can flourish and prosper we must replace the values and institutions of capitalism with values and institutions that honour life, serve life's needs, and restore money to its proper role as servant. I believe we are in fact being called to take a step to a new level of species consciousness and function. That is the primary thrust of my forthcoming book The Post-Corporate World: Life After Capitalism. It is also the focus of the group I helped to found, and whose board I chair, called the Positive Futures Network, publishers of *YES! A Journal of Positive Futures*.

We must face up to the obvious fact that capitalism's failures are an inevitable consequence of embracing values and institutions that favour money over life. To create a world in which life can flourish and prosper we must recreate our economies based on values and institutions that honour life, serve life's needs, and restore money to its proper role as servant.

Once we recognise that capitalism is the mortal enemy of the democracy, market economy, and ethical culture on which most of us want to build our societies, it is not surprising that to get where we want to go requires policies nearly the opposite of those advanced by capitalism.

Whereas capitalism prefers giant global corporate monopolies with the power to extract massive public subsidies and avoid public accountability, the efficient function of markets depends on rules that keep firms human-scale and require producers to internalise their costs. Whereas capitalism institutionalises a system of absentee ownership that keeps owners far removed from the consequences of their choices, a proper market economy favours ownership by real stakeholders--workers, managers, suppliers, customers, and communities--to bring human sensibilities to economic decision-making.

Whereas capitalism encourages and rewards the speculator, a proper market economy encourages and rewards those who contribute to wealth creation through their labour and productive investment. Whereas capitalism places the rights of money above the rights of persons and seeks to free it from restriction by national borders, a proper market economy seeks to guarantee the rights of persons over the rights of money and honours borders as essential to the maintenance of economic health. Whereas capitalism believes all assets and functions should be privatised, market theory recognises the need for public services and an equitable sharing of common property resources. Whereas capitalism prefers the economic man or woman to the ethical man or woman, a proper market economy assumes an ethical culture that nurtures in its participants a mindfulness of the social and environmental consequences of their behaviour.

I want to focus here for a minute on the central importance of an ethical culture. One of capitalism's many myths is the idea that by some wondrous mechanism the market automatically turns personal greed into a public good--because Adam Smith said so. In truth, the market has no such mechanism and Adam Smith never said it did. Efficient market function absolutely depends on a culture of trust and mutual responsibility. To emphasise this fact, I refer in my forthcoming book, The Post-Corporate World, to the mindful market to underscore the importance to efficient market function of an ethical culture that encourages individuals to act with mindfulness of both their personal needs and the needs of the whole.

Most of the responsibility and initiative in negotiating a transition from capitalism to democracy and mindful market economies must come from citizen movements at local and national levels. Supporting nations and localities in this task should become the core agenda of the United Nations under its security agenda, since the protection of people and communities from predatory global corporations and finance is arguably the central security issue of our time.

Among the more specific actions we must take, some are simple and straightforward, like favouring products made by smaller local enterprises and maintaining our savings and checking accounts with local community banks. Others are more challenging, such as dismantling the World Trade Organisation, the World Bank, and the International Monetary Fund. In a world of mindful market economies we have no need for global institutions whose primary function is to open national and local economies to penetration and colonisation by global capital and to police governments to prevent them from protecting their citizens from economic predators.

What we need at the level of global economic management is an open and democratic institution with the mandate and power to set and enforce rules holding those corporations that operate across national borders democratically accountable to the people and priorities of the nations where they operate and to regulate and tax international financial flows and institutions. The modern corporation is a direct descendant of the British Crown corporations such as the British East India company and the Hudson Bay company that were created to exploit the resources and markets of colonised people. Such an institution has no evident place in a mindful market economy. Call it the World Organisation for Corporate and Financial Accountability. The creation of such an institution should perhaps be a centre piece of initiatives toward the

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drafting of a citizens' MAI as an alternative to the agreement being promoted by our governments.

The citizens' MAI is itself an important initiative in which civil society groups in Canada have established a leading role. In my view such an agreement should recognise and secure the right of each individual country to set its own economic priorities and standards and to determine the terms under which it will trade with others and invite others to invest in its economy. It should recognise that tariffs and financial controls are necessary instruments of market regulation and that trade goals are appropriately subordinated to social, environmental, and even other economic goals.

Another institution that we must seek to eliminate is the publicly traded, for-profit corporation. It is an organisational form specifically designed to concentrate economic power without public accountability and it institutionalises an extreme form of absentee ownership. Bear in mind that the modern corporation is a direct descendant of the British Crown corporations such as the British East India company and the Hudson Bay company that were created to exploit the resources and markets of colonised people. Such an institution has no evident place in a mindful market economy.

There are several things that must be done to eliminate the corporation as we know it. One is to eliminate the legal fiction that corporations are legal persons entitled to the rights and privileges of natural persons. We must simultaneously engage in radical campaign finance reform to get big money and corporations out of politics. A second is to eliminate corporate welfare and require that corporations bear the full cost of their operations. This would involve eliminating corporate subsidies and tax breaks. It would also involve assessing public fees covering the full costs of the burdens the corporation's activities impose on the environment and on society. A third is to eliminate absentee ownership in favour of stakeholder ownership. This means putting in place policies that favour stakeholder owned enterprises such as family enterprises, community enterprises, co-operatives and worker owned enterprises. We can salvage a good deal from existing corporate structures through policies that encourage mega-corporations to break themselves up into human-scale, stakeholder owned firms. If we get corporations out of politics, restore the integrity of economic borders and eliminate corporate welfare most mega-corporations will probably become unprofitable. This should make their managers and shareholders receptive to selling off the component businesses to stakeholders at appropriately depreciated prices.

While some of our leaders are now talking about the need to tax and regulation international money flows, they are far from facing up to the fact that roughly 99 percent of the money sloshing around the world is engaged in unproductive speculation. Our goal should be to eliminate virtually all international flows of money not related to the purchase of goods and services on the ground that they serve no useful purpose. A larger goal should be to eliminate speculation in purely financial assets. One important step in this direction would be to prohibit banks from lending for financial speculation. This, for example, would eliminate bank loans to hedge funds and the purchase of stocks on margin.

We can restore democracy and create mindful market economies. We can create cultures and the institutions of the just, sustainable, and compassionate world of which we all dream. And it is our right to do so. We can have life after capitalism. And Canadians are well positioned to lead the way.

This talk was given to a meeting of various groups from Edmonton, Calgary, and Saskatoon in November 1998

Biographical Sketch :

David C. Korten holds MBA and PhD degrees from Stanford Business School and taught for five years at Harvard Business School before joining the Harvard Institute for International development to head a Ford Foundation project to strengthen national family planning programmes. He moved to Southeast Asia in the late 1970s, working first for the Ford Foundation and then as a regional advisor on *development management to USAID. Eventually, disillusioned with the official aid system, he spend the last five years of his fifteen in Asia working with NGOs identifying why development was failing.*

He came to realise that the deepening poverty, growing inequality, environmental devastation, and social disintegration he was observing in Asia were also being experienced in nearly every country in the world. Moreover, the United States was actively promoting policies that made matters worse. For the world to survive, the United States must change, and he returned to the US in 1992 to help bring that change about. He has since written two highly influential books, When Corporations Rule the World (1995) and The Post Corporate World: Life After Capitalism (1999).

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