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# AGENDA FOR A NEW ECONOMY

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*By David Korten*

*Inaugural Lecture*

*The Wayne Morse Center For Law And Politics  
2011-2013 Inquiry*

*“From Wall Street to Main Street: Capitalism and  
the Common Good”*

*University Of Oregon, Eugene, Oregon, 6:30  
October 5, 2011*



It is an honor and a privilege to be the inaugural speaker for this important and timely University of Oregon inquiry sponsored by the Wayne Morse Center for Law and Politics. The theme—“From Wall Street to Main Street: Capitalism and the Common Good” frames exactly the inquiry we must engage as a nation—and as a species at this defining historical moment.

As we meet, citizens are mobilizing all around American in support of the Occupy Wall Street protest that provides a focal point for coalescing public anger at Wall Street’s unrelenting and unrepentant greed and corruption into an agenda for sweeping economic transformation. The protest is still small, but growing fast with an energy that might be beyond the power of imperial institutions to contain.

My assignment tonight is to outline my thinking on the nature and substance of the needed transformation based on my work of the past thirty years. We have only 50 minutes to cover a great deal of ground, so I’ll be painting with broad strokes.

I’ll not take your time this evening assaulting you with the usual endless statistics documenting how grim our situation is. I assume you have come this evening because you are already quite aware that we are in deep trouble and your interest is in solutions.

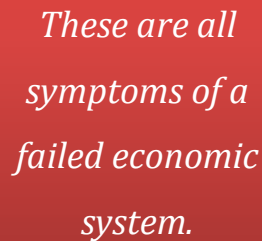
A quick overview of the symptoms of system failure will suffice to frame the problem.

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## SYSTEM FAILURE

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The U.S. economy is in shambles. The 2008 financial crash born of Wall Street excess has stripped tens of millions of honest, hardworking, and talented Americans of their jobs, homes, and retirement assets and plunged them into poverty and despair. As bad as conditions are for white people, they are far worse for people of color and for young people just entering the labor force, already in debt bondage to Wall Street banks for their student loans and with no job prospects.



*These are all  
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system.*

Poverty has risen to a near thirty-year high. The only social mobility is downward, millions lack health insurance, schools are failing and prison populations are swelling. American workers put in more hours than workers in any other high income country—at the expense of their health, families, and community life. Employment security is a thing of the past, and wages of working people are stagnant or declining.

It all traces back to the actions of a few Wall Street CEOs and financiers who used their political power to game the system to their advantage.

“Free” trade agreements were used to outsource jobs to bust unions and push down wages so corporate CEOs and financiers could capture productivity gains as bonuses to accumulate grand fortunes. To put food on the table, families dependent on wages that no longer cover basic necessities are forced into debt bondage to the bankers who hold their credit card and mortgage debt.

The now very rich declared class war on the nation without ever revealing their true purpose. And they have won. The top 1% of Americans now have a greater combined net worth than the entire bottom 90%. And the system is rigged to further increase their advantage.

Obscene inequality is unraveling America’s social fabric. It undermines the bonds of family and community and the sense of shared interest needed to support public investment in essential programs and infrastructure. Without a radical system restructuring, growth in inequality is guaranteed to continue.

And then there is nature—the biosphere on which the lives of all species—including humans—depend. A Wall Street cultivated addiction to endless, mindless economic growth to increase the financial fortunes of the few is disrupting Earth’s climate patterns, reducing Earth’s capacity to support life, and further fueling social breakdown

by creating millions of environmental, political, and economic refugees uprooted from family and community in search of a means of survival.

These are all symptoms of a failed economic system. They are also symptoms of a Wall Street dominated political system incapable of competent corrective action.

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## WALL STREET VS. MAIN STREET

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The theme of this University of Oregon inquiry, “From Wall Street to Main Street: Capitalism and the Common Good,” makes an essential distinction between Wall Street and Main Street. These terms refer to two economies with dramatically different structures and dedicated to the service of very different values and interests. The fate of America turns on the outcome of a contest between proponents of these two very different economic systems.

The greed-driven, money-serving, corporate-ruled Wall Street Economy measures its success exclusively by the financial profits it generates for the already rich. It neither acknowledges nor accepts responsibility for the economic, social, environmental, and political devastation it leaves in its wake.

The democratic, community-rooted, market-based, life-serving Main Street economies that ordinary people are rebuilding across the nation and around the world measure success by their contribution to securing adequate and meaningful livelihoods for everyone in a balanced relationship to nature.

The differences between these two economies trace directly to their contrasting ownership models. The Wall Street economy features the absentee ownership of global publicly-traded, limited-liability corporations for which short-term financial profit is the sole measure of performance. It is a system designed to distribute wealth upward and risks downward and to facilitate reckless speculation and rampant fraud. Economic and political failure starts with Wall Street.

The Main Street economy features the responsible living ownership of locally rooted businesses by people who care about the health and vitality of their community and its natural environment. Real prosperity starts with Main Street.

The distinction between Wall Street and Main Street holds the key to understanding why our economic system is failing and what we can do about it.

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Unfortunately, under current institutional arrangements, economic and political power resides with Wall Street. It is a distinction that corporate media consistently ignore.

Take an example. We regularly hear pundits debating the question: “Do we face a double dip recession?” Most people find this question confusing, because it implies that the economy recovered from the 2008 financial crash. Most people listen and ask “But what recovery? For whom?”

The discrepancy is easily explained. Most people live in the Main Street economy, which remains in the tank. The economists and pundits are looking at indicators of performance in the Wall Street economy, which is doing just fine thanks to trillions of dollars in bailout money from the Federal Reserve and the U.S. Treasury.

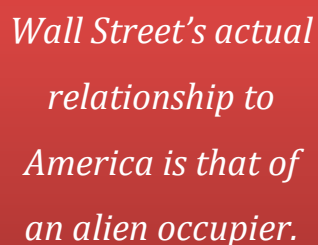
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## CAPITALISM AND THE COMMON GOOD

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So, what about “capitalism and the common good?” In America we are taught from birth that capitalism is synonymous with markets, democracy, and individual liberty. Whatever capitalism’s flaws might be, we are told that the only alternative to capitalism is the sacrifice of our liberty to central economic planning by unaccountable innovation killing communist bureaucrats.

This sets up a false and dangerously self-limiting choice between two economic models—both of which create concentrations of power that stifle liberty and creativity for all but the few at the top.



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Communism is dead. As we look for solutions to our current economic crisis, the relevant distinction is not between capitalism and communism, but rather between Wall Street and Main Street.

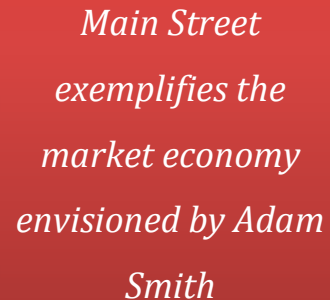
The economy internal to a global corporation is managed as an authoritarian, centrally-planned economy in which any decision made at a lower level can be immediately over-ruled, thousands of people can be hired or fired, subsidiaries can be bought and sold, all at a moment’s notice and without recourse by those whose lives are affected—and all to maximize financial returns to those members of society who have least need of more money.

The global *Wall Street* economy is comprised of such corporations, each of which seeks to extend its monopoly control of markets, physical resources, and technology. The business of Wall Street is to expropriate wealth, not create it.

From a national perspective, Wall Street cloaks itself in the American flag, but most of its institutions offshore their profits to avoid paying their share of the taxes required to maintain the American infrastructure, essential services, and national security on which their profitability depends. Wall Street's actual relationship to America is that of an alien occupier.

## MAIN STREET MARKETS AND REAL DEMOCRACY

The *Main Street* economy, by contrast, is comprised of local businesses and working people who self-organize in local markets, within a framework of community values and democratically determined rules to provide livelihoods for themselves, their families, and their communities by producing real goods and services in response to community needs. Main Street is about people working together in their communities to create wealth to their mutual benefit. This is what real markets and real democracy are about.



*Main Street  
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Smith*

As our forbearers liberated America from rule by a distant king and the British East India Company, we must now liberate America from rule by Wall Street

Main Street exemplifies the market economy envisioned by Adam Smith; Wall Street is the antithesis.

Adam Smith believed that people have a natural and appropriate concern for the well-being of others. This belief was a foundation of his vision of a market self-organized by mindful individuals who act with an inherent sense of responsibility for the well-being and happiness of their neighbors. He also recognized the responsibility of government to restrain those who fail in this duty.

Adam Smith and the political economists who followed in his tradition developed an elegant theory of the market's capacity to self-organize for the common good for so long as it fulfilled a number of carefully articulated conditions, including the following:

- Buyers and sellers must be too small to influence the market price and must honor basic principles of honest dealing.
- Income and ownership must be equitably distributed.
- Complete information must be available to all participants, and there can be no trade secrets or patent monopolies.

- Sellers must bear the full cost of the products they sell and incorporate it into the sale price.
- Investment capital must remain within national borders, and trade between countries must be balanced.
- Savings must be invested in the creation of productive capital rather than in speculative trading.

These are the characteristics of a real market economy.

## **WALL STREET CAPITALISM IS THE ENEMY OF MARKETS AND DEMOCRACY**

Wall Street’s version of capitalism systematically violates each foundational market principle. Furthermore, Wall Street uses its political power to rewrite our laws to facilitate the violation of each foundational market principle.

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Capitalism is a term originally coined in the mid-1800s to refer to an economic and political regime in which the ownership and benefits of capital are appropriated by the few to the exclusion of the many who, through their labor, make capital productive. By this definition, which fits Wall Street perfectly, capitalism and the common good are mutually exclusive.

Now do not confuse capitalism with markets. Capitalism strives for monopoly control to defeat the market’s corrective mechanisms.

Markets can, in fact, work wonderfully for many functions—within a framework of clear rules and an ethical culture. The stronger the relations of mutual trust and caring and the more equitably economic and political power are distributed, the more the market becomes self-policing and the less need there is for formal governmental intervention.

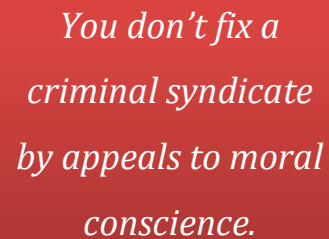
An economy comprised of powerful global corporations governed by a culture of greed and a belief that their only legal duty is to maximize their profits is a very different situation. The common good is not served by the invisible hand of the market, but by the strong and visible hand of an intrusive government to limit the abuses and clean up the messes. When the power of big corporations melds with the power of big government in the service of an authoritarian oligarchy—we have what is technically known as fascism.

The term “free market,” a code word for an unregulated market, is a contradiction. A market without rules facilitates and encourages the unlimited concentration and abuse of corporate power unconstrained by market discipline and democratic accountability.

### **WALL STREET CAPITALISM IS AGAINST MORAL RESPONSIBILITY**

For millennia humanity’s most celebrated spiritual teachers have taught that society works best and we all experience our greatest joy and fulfillment when we share, cooperate, and are honest in our dealings with one another.

For the past few decades this truth has been aggressively challenged by market fundamentalists—proponents of immoral and counter-factual economic ideology that has assumed the status of a modern state religion. Its believers worship the God of money. Stock exchanges and global banks are their temples. They proclaim that everyone does best when we each seek to maximize our individual financial gain without regard to the consequences for others.



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In the eyes of a market fundamentalist, to sacrifice profit for some presumed social or environmental good is immoral. By Wall Street ethics, greed is a virtue and sharing is a sin.

### **WALL STREET IS A CRIMINAL SYNDICATE**

The financial collapse of 2008 penetrated Wall Street’s carefully fabricated façade to reveal the inner workings of Wall Street capitalism as a criminal syndicate engaged in counterfeiting, predatory lending, usury, tax evasion, fraud, and extortion.

And guess what. We learned that the religious teachers were right. Greed does not serve the common good. Wall Street operates with the ethics of a criminal syndicate.

You don’t fix a criminal syndicate by appeals to moral conscience. You shut it down through the enforcement of laws that protect the public interest. As our forbearers liberated America from rule by a distant king and the British East India Company, we must now liberate ourselves from Wall Street.

It’s no mystery what we need to do. We did it before in response to the Great Depression of the 1930s, which was also a creation of Wall Street excess.

## WALL STREET IS THE ENEMY OF JOBS AND PROSPERITY

We solved that problem by putting in place a highly progressive tax system and strong regulation of Wall Street banks and corporations. The resulting American economy created the American middle class, made America the world leader in industry and technology, and made the American Dream a reality for a substantial majority of Americans.

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This well-regulated and fairly-taxed economy served us well—until Wall Street began mobilizing in the 1960s to launch an assault on regulation, unions, social safety nets, and taxes on the rich. As its power grew, Wall Street players became ever more skilled at pushing down wages and benefits, eliminating and outsourcing jobs, and shifting financial markets from long investment to short-term speculation.

Contrary to the Wall Street propaganda, Wall Street is a demonstrated job killer, not a job creator. Wall Street banks and corporations have no interest in creating American jobs, educating American children, or assuring that Americans have health care and retirement security. They appeal for ever more tax breaks and regulatory relief to have yet more money on hand to use as they used their taxpayer provided bailout money—to increase executive bonuses, pay dividends, buy other companies, buy back their own stock, buy political favor, create new financial bubbles, and outsource more jobs—none of which produces any benefit for America.

*Increasing* Wall Street taxes and regulation will actually increase jobs, by shifting power from Wall Street job killers to Main Street job creators.

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## PHANTOM WEALTH VS. REAL WEALTH

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To fully understand the extent of Wall Street's deception, it is necessary to differentiate between phantom wealth and real wealth.

### UNASKED QUESTIONS

When I was a student in business school, our professors taught us how to identify investment options that maximize financial return—which means maximize returns to money. I don't recall that our professors ever mentioned that a practical consequence is that this maximizes financial returns to people who have money. It makes rich people richer. Nor did they ever mention that money is a system of power and that the more our lives depend on money, the greater our subservience to those who control the creation and allocation of money.

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Now I don't recall asking my professors "What is money?" "Where does it come from?" "Why do we assume that maximizing financial return maximizes the creation of real value and the well-being of society?" "How does the conversion of Earth's natural living wealth into financial wealth—which is nothing but a number on a computer hard drive— create real value?" "What about the many fortunes built through financial speculation, fraud, government subsidies, the sale of harmful products, and the abuse of monopoly power?" "Does this produce real value for society."

Since it seemed to make sense to everyone else, if such questions ever did occur to me, I kept them to myself for fear of being dismissed as hopelessly stupid.

I suspect those who taught us economics, finance, and accounting did not themselves recognize the difference between real living wealth and phantom financial wealth—because no one ever pointed it out to them.

### **THINGS OF REAL VALUE VS NUMBERS IN A COMPUTER**

Real wealth includes all the many things of intrinsic utilitarian, artistic, and spiritual value, whether or not they have a market price. They include healthy food, fertile land, pure water, clean air, education, health care, fulfilling opportunities for service, and time for meditation and spiritual reflection. The most important forms of real wealth are beyond price. They include healthy, happy children, loving families, caring communities, a beautiful, healthy, natural environment.

Money, by contrast, is just a number on a piece of paper or computer hard drive created with an accounting entry. It has no intrinsic value. Wall Street generates money in astonishing quantities through accounting tricks, financial bubbles, and debt pyramids without producing anything of real value. In an instant, a trillion dollars can appear from nowhere and then as quickly disappear, as a phantom in the night.

Those engaged in creating phantom wealth collect handsome "performance" fees for their services and walk away with their gains, leaving others to deal with the carnage when borrowers default on debts they cannot pay and the financial bubbles and debt pyramids collapse in a cascade of foreclosures and bankruptcies.

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## THE GRAND DECEPTION

It is easy to confuse phantom financial assets with the real wealth for which they can be exchanged. Indeed, the illusions of phantom wealth are so convincing that most Wall Street players likely believe they are creating real wealth for society.

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The market, of course, makes no distinction between the dollars acquired through means that enrich society, those created by means that impoverish society, and those simply created out of thin air. Money is money, and the more you have, the more the market eagerly responds to your every whim. Money is still, however, only a number with no existence outside the human mind.

Those who benefit from the creation of phantom wealth might never realize that their gain is unfairly diluting everyone else's claim to the available stock of real wealth. They may also fail to realize that Wall Street and its international counterparts have generated total phantom-wealth claims far in excess of the market value of all of the world's real wealth, thus creating expectations of future security and comforts

that can never be fulfilled.

The deceptions are built right into our language. We refer to speculation as "investment" and to phantom financial wealth as "capital." Indeed, when we hear the terms wealth, capital, assets, or resources we have no way to know whether the reference is to a real asset or only to a phantom financial asset. Our language gives us no way to make this essential distinction. It is no wonder we get confused and fail to recognize that Wall Street produces little or nothing of real intrinsic value—and that such services as it may perform can generally be provided far more efficiently by institutions firmly rooted in Main Street.

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## IN PARTNERSHIP WITH THE BIOSPHERE

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The challenge before us is to navigate the transition to a New Economy that supports ecological balance between humans and nature, the sharing of Earth's resources to assure every person access to the essentials of a healthy, happy life, and a living democracy to secure the rights and voice of every person in the decisions that shape their lives. The main street economy is the foundation on which to build.

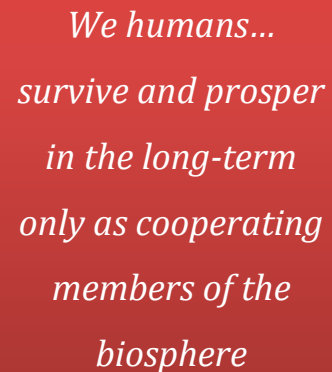
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## A COMMUNITY OF LIFE

Those who engage this struggle participate in a human awakening to the reality that life exists only in community and depends on the active engagement of every living being in the capture, exchange, and sharing of energy, nutrients, and water to the benefit of the whole. Rogue species learn to get with the program or expire. We humans are living beings and we too survive and prosper in the long-term only as cooperating members of the biosphere—Earth’s community of life.

The biosphere is an exquisitely complex planetary-scale fractal structure comprised of countless trillions of individual organisms. Three and a half billion years in the making, it self-organizes in a dynamic, constantly evolving, global system that is locally rooted everywhere with an extraordinary capacity for local adaptation.

This incredible system continuously repurposes and recycles all resources. Nothing is wasted. Redundancy and diversity optimize local adaptation, resilience and creative potential—all without the equivalent of money, global corporations, or any other central decision-making institutions.



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## A CONFUSED SPECIES

In denial of our relationship to the living Earth, Western societies have propagated a cultural belief that humans have the right, even the obligation, to subdue nature and expropriate its bounty to our exclusive benefit.

Confusing money with wealth and the making of money with the creation of wealth, we yield control of the economy to Wall Street institutions that profit from the rapid depletion of Earth’s nonrenewable store of fossil energy to dominate, control, and ultimately destroy the biosphere’s natural living systems for short-term financial gain—an act of collective suicidal insanity.

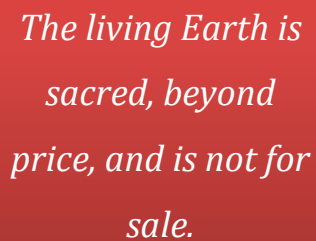
Confusing money with wealth and the making of money with the creation of wealth, we celebrate indiscriminant growth in GDP as progress and ignore the by-products, including climate chaos, soil depletion, falling water tables, dry rivers, collapsing fisheries, species extinction, toxic contamination, and air pollution.

Confusing individual autonomy with personal liberty we create economies that reduce caring human relationships to soulless financial exchange and structure our physical space around energy inefficient buildings and auto-dependent transportation systems that wall us off from one another and the non-human natural world.

## BIOREGIONAL ECONOMIES

We must now rediscover the truth that has defined the values of high functioning indigenous societies from the beginning of time: The living Earth is sacred, beyond price, and is not for sale. Rather than seeking to suppress, dominate, and exploit the biosphere, we must align ourselves in integral partnership with its structure and dynamics.

The biosphere has the potential to provide for the livelihood needs of all people in perpetuity if we organize ourselves to live in a balanced and harmonious partnership with its natural structures and dynamics.



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This requires segmenting the borderless global economy into a planetary system of interlinked, self-reliant bio-regional economies, each rooted in a community of place and organized to function as locally self-reliant subsystems of its local ecosystem to optimize the lives of all who live within its borders. Most needs will be met by local production using local resources in the manner of healthy ecosystems.

Dependent on their local resources for their means of living, the people of each bio-region will have substantial incentive to invest in restoring and enhancing the generative capacity of the ecosystem on which their own well-being and that of their children depend. Dependent on their own resources, the benefits of developing closed loop production systems and high density auto independent communities with living buildings that work with nature to optimize the local capture and use of energy, water, and nutrients will become self-evident.

As each local economy limits its population growth and eliminates wasteful and destructive resource use to bring itself into balance with its place on Earth, global GDP will shrink, overall human well-being will increase, and we humans will come into global balance with Earth's biosphere.

Each bio-region may trade its surplus with its neighbors in return for that which it cannot reasonably produce for itself, but system integrity depends on keeping imports and exports in balance—a basic principle of classical trade theory.

Organizing around self-reliant bio-regional economies does not mean we abandon the rest of the world. It does mean we abandon the relationships of colonial expropriation that allow us to control and consume the resources of the rest of the world at their expense.

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## SHIFT POWER FROM WALL STREET TO MAIN STREET

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The overall policy agenda is quite straight forward: shift power from Wall Street predators who seek only short-term financial gain to Main Street wealth builders who work for the future of their families and communities. Not simple to achieve; but easy to understand.

In closing I want to quickly note seven critical system pressure points to advance the Wall Street to Main Street power shift.

1. Replace financial indicators like GDP and Wall Street stock indices with indicators of human and natural systems health as the basis for evaluating economic performance. We get what we measure, so let's measure what we want.
2. Decentralize and democratize the system of money, banking, and finance by which we create and allocate money so that this power resides in Main Street rather than Wall Street—as it did in the United States before the disastrous banking deregulation that began in the 1970s. Money is power, so let's put power where it is most likely to be used responsibly and democratically.
3. Implement fiscal, workplace, and social policies that distribute income and ownership equitably to rebuild the foundations of a middle class society and make it inclusive of all people.
4. Favor businesses that are locally owned by real people who have a direct relationship with their function. Cooperative, worker- and community-owned enterprises are positive examples.
5. Break up concentrations of corporate power, bar corporations from competing with living human beings for political power, implement rules that support social and environmental cost internalization, and fair competition, and put an end to the fiction that corporations are people with the same rights as living persons.
6. Organize around a planetary system of self-governing, self-reliant bio-regional economies comprised of locally owned living enterprises accountable to local owners that function in harmony with local ecosystems, meet the basic needs of all people, support just and democratic societies, and foster joyful community life.

*...let's put power  
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7. Create global rules and institutions that support local self-rule, bio-regional self-reliance, and balanced exchange between regions.

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## BY THE PEOPLE

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Clearly, the initiative for such changes will not come from within the institutions of Wall Street power. We are not, however, talking about a utopian fantasy. Serious citizen initiatives around the United States and the world are already in place working to advance each element of this agenda. You won't hear about them from Fox News, but you can read about them in [YES! Magazine](#). I do urge you to subscribe at [yesmagazine.org](#) and to YES! magazine's terrific coverage of the #OccupyWallStreet movement as it is unfolding across the country.



*This is an  
extraordinary  
moment...*

Let us enjoy the irony that in America, the birth place of modern democracy, we now look to uprisings in the Middle East as inspiration to claim our power from unaccountable and authoritarian institutions as we strive to build a true democracy.

Our uprising, like those in the Middle East, is led by young people of extraordinary courage and commitment who see no future for themselves in societies ruled for the benefit of an unaccountable oligarchy. Their resistance is likely to be sustained and thereby provide a focal point for the rest of us to rally around.

This is an extraordinary moment that challenges much of what we have been taught to believe about ourselves and our world, and challenges us to engage in an epic, even audacious undertaking.

The future of humanity lies in the balance. Hope lies in the fact that we stand beside millions of people the world over who are rising to this great challenge. Now is the hour. We have the power. We are the one's we've been waiting for. Thank you.

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David Korten is co-founder and board chair of YES! Magazine, co-chair of the New Economy Working Group, president of the People-Centered Development Forum, and a founding board member of the Business Alliance for Local Living Economies (BALLE). This presentation summarizes themes from his most recent book, Agenda for a New Economy: From Phantom Wealth to Real Wealth, second edition. His other books include: The Great Turning: From Empire to Earth Community, and the international best seller When Corporations Rule the World

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