Stu's Notes #1

Stu's Notes provide selected passages from books that are of interest to Stu. They are primarily direct quotes, though some longer passages are summarized. They do not generally provide a thorough synopsis of the book. Rather, they capture individual facts or opinions of interest, which may or may not be reflective of the overall text.

Title: When Corporations Rule the World

Author: David C. Korten

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Summary: *Corporate power surpasses that of (most) nations. Wealth and power are concentrated in the hands of a few. It is this power, coupled with a corresponding lack of responsibility, that has resulted in global environmental damage and social injustice. With extensive recommendations for re-establishing controls over corporations.*

Highlights:

Salary of Michael Jordan (the creation of a market) vs. Nike workers (the creation of the product) [p.111]

World Bank, International Monetary Fund, General Agreement on Tariffs and Trade, and WTO [p.160-176]

History of money [p.186-187]

Markets, the creation of wealth, and speculators [p.187-205]

Outsourcing of production to the lowest bidder [p.216-221]

The value of air vs. diamonds [p.265]

Trading our life energy for money, on the false promise that it leads to happiness [p.266]

Principles of a better system [p.272-273]

Overconsumers, sustainers, and excluded people [p.279]

Long list of recommended policies [p.309-324]

Spaceship or Cowboy Frontier?

Are we currently in "spaceship mode", or do we still have the unlimited resources that the cowboy had?

The primary energy source on the planet is the sun. The sun's energy is converted into food by growing plants. "The amount of energy potentially available from photosynthesis for the support of animal species, after deducting what is consumed by the respiratory processes of the plants themselves, is known as Net Primary Production (NPP). A 1986 study concluded that humans were already using directly, co-opting, or displacing nearly 40% of the potential annual NPP of the earth's land surfaces. This leaves less than 60% for other species, for improving the lives of the 80% of humanity that enjoys only 20% of the wealth, and for meeting the needs of increasing human numbers. If current patterns of consumption are maintained, the projected doubling of the earth's population (from 1986 levels to the projected ultimate value of 10 billion) would require some 80% of NPP just to maintain living standards at current unequal levels. Only 20% of NPP would be available to support all other nonplant life." [p.32]

Rewards for the Rich

"The $20 million that basketball star Michael Jordan reportedly received in 1992 for promoting Nike shoes exceeded the entire annual payroll of the Indonesian factories that made them. The Nike case is a striking example of the distortions of an economic system that shifts rewards away from those who produce real value to those whose primary function is to create marketing illusions to convince consumers to buy products they do not need at inflated prices." [p.111]

Corporate Power in a World Where Governments Compete for Business

"Moore County, South Carolina, won a competitiveness bid in the 1960s and 1970s when it lured a number of large manufacturers from the unionized industrial regions of the northeastern United States with promises of tax breaks, lax environmental regulations, and compliant labour. Proctor Silex was one of the companies attracted. Later, when Proctor Silex expanded its local plant, Moore County floated a $5.5 million municipal bond to finance necessary sewer and water hookups – even though nearby residents were living without running water and other basic public services. Then in 1990, the company decided that Mexico offered more competitive terms and moved again. It left behind 800 unemployed Moore County workers, drums of buried toxic waste, and the public debts the county had incurred to finance public facilities in the company's behalf." [p.129]

"To maintain the kind of conditions transnational corporations prefer, the Mexican government has denied workers the right to form independent labour unions and has held wage increases far below productivity increases. In the summer of 1992, more than 14,000 Mexican workers at a Volkswagen plant turned down a contract negotiated by their government-dominated labour union. The company fired them all, and a Mexican court upheld the company's action. In 1987, in the midst of a bitter two-month strike in Mexico, Ford Motor Company tore up its union contract, fired 3,400 workers, and cut wages by 45%. When the workers rallied around dissident labour leaders, gunmen hired by the official government-dominated union shot workers at random in the factory." [p.129]

Getting Them While They're Young

"According to Consumer Union, 20 million US schoolchildren used some form of corporate-sponsored teaching materials in their classrooms in 1990. A Mobil Oil contribution to public education is a video prepared for classroom use that touts plastic as the best waste to put in landfills. An Exxon module titled 'Energy Cube' omits discussion of fuel efficiency, alternatives to fossil fuels, and global warming. Indeed, it attempts to equate gasoline with solar energy in students' minds by explaining that its 'energy value comes from solar energy stored in its organic chemical bonds.'" [p.155]

"Channel One, an advertiser-sponsored school television program, beams its news and ads for candy bars, fast food, and sneakers directly into the classroom for twelve minutes a day in more than 12,000 schools. In exchange for a satellite dish and video equipment for each classroom, the school must agree that Channel One will be shown on at least 90% of school days to 90% of the children. Teachers are not allowed to interrupt the show or turn it off. A survey found that most students thought that since Channel One was shown in school, the products advertised on it must be good for them." [p.156]

Of course, one of the reasons that schools have to rely more on corporate handouts is because of right-wing pressures to reduce government spending.

Global Power

The World Bank, International Monetary Fund (IMF), and General Agreement on Tariffs and Trade (GATT) are collectively referred to as the Bretton Woods institutions, named after a small town that held the 1944 meeting to establish a system of global commerce in the wake of World War II.

"Although formally designated as 'special agencies' of the UN, the Bretton Woods institutions function nearly autonomously from it. Their governance and administrative processes are secret – carefully shielded from public scrutiny and democratic debate. In the World Bank and IMF, the big national powers have both veto power over certain decisions and voting shares in proportion to their shares of the subscribed capital – ensuring their ability to set and control the agenda." [p.160]

"The World Bank must be regarded as a governance institution, exercising power through its financial leverage to legislate entire legal regimens and even to alter the constitutional structure of borrowing nations. Bank-approved consultants often rewrite a country's trade policy, fiscal policies, civil service requirements, labour laws, health care requirements, environmental regulations, energy policy, resettlement requirements, procurement rules, and budgetary policy." [p.165]

In addition, the World Bank puts poor countries in a position of reliance on richer countries. It focuses on projects which require outside resources and skills, rather than those which develop the skills of the "benefiting" country. Furthermore, being indebted to the World Bank forces countries to gear their economies for export (to pay off the debt), rather than for what their own citizens may require. Countries with starving citizens are thus forced to plant crops desired by rich nations, rather than those needed to feed their own people.

World Trade Organization

Fifty years after the creation of GATT, it gave birth to the World Trade Organization (WTO) in 1995. "A trade body with an independent legal identity and staff similar to that of the World Bank and IMF is now in place, with a mandate to press forward and eliminate barriers to the free movement of goods and capital. The needs of the world's largest corporations are now represented by a global body with legislative and judicial powers that is committed to ensuring their rights against the intrusions of democratic governments and the people to whom these governments are accountable. What the World Bank and the IMF had accomplished in institutionalizing the doctrines of corporate libertarianism in low-income countries, the WTO now has a mandate and enforcement powers to carry forward in the industrial world." [p.174]

Any member country can challenge, through the WTO, any law of another member country that it believes deprives it of benefits it expected to receive under international (WTO) trade rules. "This includes virtually any law that requires imported goods to meet local or national health, safety, labour, or environmental standards that exceed WTO accepted international standards. Regulations requiring that imported products meet local standards on such matters as recycling laws, use of carcinogenic food additives, auto safety requirements, bans on toxic substances, labelling, and meat inspection could all be subject to challenge. The offending country must prove that a purely scientific justification exists for its action. The fact that its citizens simply do not want to be exposed to the higher level of risk accepted by lower WTO standards isn't acceptable to the WTO as a valid justification." [p.174]

A transnational corporation that believes itself to be disadvantaged by a particular law looks for a government (any member government) that can be encouraged to bring a challenge. The challenge is heard before a panel of three trade experts (generally lawyers who have made careers out of representing corporations) which meets in secret to hear what the two sides have to say. There is no provision (as under Canadian law) to receive briefs from other affected parties, unless the tribunal chooses to seek out these views. Documents presented to the tribunal are secret. Voting of the individual tribunal members may not be published. There is an assumption of "guilty until proven innocent": the burden of proof rests on the "offending" country to prove that they didn't violate the WTO agreements. [p.175-176]

While this structure violates virtually every principle of what Canadians would consider to be a fair judicial system, and is something we would normally expect to see under a dictatorship, the good news is that there is an appeal process. The tribunal's decision can be overturned if *every* member of the WTO (all 100 countries, *including* the one that won the decision) votes to overrule the tribunal. [p.176]

Bretton Woods Synopsis

"World War II did not end the global domination of the weak by strong states. It simply cloaked colonialism in a less obvious, more beguiling form. The new corporate colonialism is no more a consequence of immutable historical forces than was the old state colonialism. It is a consequence of conscious choices based on the pursuit of elite interest. This elite interest has been closely aligned with the corporate interest in advancing deregulation and economic globalization. As a consequence, the largest transnational corporations and the global financial system have assumed ever greater power over the conduct of human affairs in the pursuit of interests that are increasingly at odds with the human interest. It is impossible to have healthy, equitable, and democratic societies when political and economic power is concentrated in a few gigantic corporations. We have created a system that is now beyond the control even of those who created it and whom it richly rewards for serving its end." [p.181]

Money

There is, "the tendency of an unrestrained marked to reorient itself away from the efficient *production* of wealth to the *extraction* and *concentration* of wealth." [p.186]

Historically, there was no money. People exchanged things of equal value. This became inconvenient and limiting, and so people began to use certain objects that had their own intrinsic value as a medium of exchange – decorative shells, blocks of salt, bits of precious metals or precious stones. Eventually, metal coins provided more standardized units of exchange based on the amount of precious metal, generally silver or gold, they contained. Later, the idea emerged that it was more convenient to keep the precious metal in a vault and issue paper money that could be exchanged for the metal on demand.

At the 1944 Bretton Woods conference, nations there agreed to each set a fixed rate of exchange between their currencies and US dollars, and the US guaranteed to exchange US dollars on demand for gold at a rate of $35 per ounce. This effectively placed all the world's currencies on the gold standard, backed by the US gold stored at Fort Knox. Many governments thus came to accept the US dollar as gold deposit certificates and chose to hold their international foreign exchange reserves in dollars rather than gold.

This system worked reasonably well for 20 years, until it became widely evident that the US was creating far more dollars than it could back with its gold. If all the countries that were holding dollars decided to redeem them for gold, the available supply would be quickly exhausted, and those who had placed their faith in the integrity of the dollar would be left holding nothing but worthless pieces of paper.

So, in 1971, the US announced that it would no longer redeem dollars on demand for gold. The dollar was no longer anything other than a piece of high-grade paper with a number and some intricate artwork issued by the US government. The world's currencies were no longer linked to anything of value except the shared expectation that others would accept them in exchange for real goods and services.

Once computers came into widespread use, the next step was relatively obvious – eliminate the paper and simply store the numbers in computers. Although coins and paper money continue to circulate, more and more of the world's monetary transactions involve direct electronic transfers between computers. Money has become almost a pure abstraction. And the creation of money has been delinked from the creation of value. [p.186-187]

The Financial Markets

Four developments are basic to the transformation that has occurred in the financial system:

1. A lot of US money is now held overseas, and is therefore not subject to the checks & balances that it would be if held in the US.

2. Computers melded the world's financial markets into one giant system.

3. Investment decisions that were once made by many shareholders are now concentrated in the hands of a relatively small number of professional investment managers. The pension funds alone account for the holdings of about a third of all corporate equities and about 40% of corporate bonds.

4. Investment horizons have shortened dramatically. Fund managers are competing to attract clients. As part of achieving this, they in turn push corporations for high short-term rates of return. [p.187-188]

A leading business writer "… estimates that for every $1 circulating in the productive economy, $20 to $50 circulates in the economy of pure finance." And most of it "… goes for very short-term speculative investments – from a few hours to a few days to a maximum of a few weeks. … This money is unassociated with any real value." [p.189]

"There are two common ways to create money without creating value. One is by creating debt. Another is by bidding up asset value."

1. **Debt:** the money that we put into the bank is loaned to a second person and, if they put some of it in the bank, it can be loaned to a third person, and so on. The initial sum that was deposited by the first person can thus be loaned out to several people. [p.190]

2. **Asset values:** Price is determined by demand. "In an economy awash with money and investors looking for quick returns, that demand is substantially influenced by speculators' expectation that other speculators will continue to push up the price. Nicholas F. Brady, who served as US treasury secretary under President George Bush, observed 'If the assets were gold or oil, this phenomenon would be called inflation. In stocks, it is called wealth creation.' … Now, although any one individual can sell a stock certificate at the prevailing price to buy groceries, if everyone with money in the stock market decided to convert their stocks into money to buy groceries, much the same thing would happen as happened on October 19, 1987. The aggregate value of their stock holdings would deflate like a pricked balloon. The 'money' – the

> buying power – would instantly evaporate. What we are dealing with is a situation in which market speculation creates an illusion of wealth. It conveys real powers on those who hold it – but only as long as the balloon remains inflated." [p.191-192]

"The decisions of the financial system are increasingly being made by computers on the basis of esoteric mathematical formulas with the sole objective of replicating money as a pure abstraction. … The global financial system has become a parasitic predator that lives off the flesh of its host – the productive economy." [p.193]

"In all too many instances, [the global economy] rewards *extractive* investors who do not create wealth but simply extract and concentrate existing wealth. The extractive investor's gain is at the expense of other individuals or the society at large." [p.195]

Speculators are a prime example of extractive investors. The more powerful ones have achieved the ability to influence, for their own benefit, the prices of the things they are speculating in, creating trends that they then cash in on. Several examples are given of a high-profile speculator with access to the media, who creates movement in prices by announcing that he thinks such a movement is likely. Felix Rohatyn, a senior partner with Lazard Freres & Co, states "In many cases hedge funds, and speculative activity in general, may now be more responsible for foreign exchange and interest-rate movements than interventions by the central banks. … Derivatives … create a chain of risks linking financial institutions and corporations throughout the world; any weakness or break in that chain (such as the failure of a large institution heavily invested in derivatives) could create a problem of serious proportions for the international financial system" [p.199]

"If the world's central bankers agreed among themselves on a coordinated commitment to protect a currency from a speculative attack, they might at best be able to muster $14 billion a day, a mere drop in the bucket compared with the more than $800 billion that currency speculators trade on a daily basis." [p.201]

With massive amounts of money at their disposal, speculators are increasingly able to hold public policy hostage to their interests. "The process is simple. If the speculators who are shuffling hundreds of billions of dollars around the world decide that the policies of a government give preference to 'special interests' – by which they mean groups such as environmentalists, working people, or the poor – over the interest of financial speculators, they take their money elsewhere, creating economic havoc in the process. In their minds, the resulting economic disruption only confirms their thesis that the policies of the offending government were unsound. … The fact that most of these financial movements occur in a globalized cyberspace makes oversight or regulation by any individual government extremely difficult, and those who profit handsomely from the resulting lack of public accountability are quick to assure lawmakers and the public that the system is working in the public interest. They maintain that the only threat to the public good is from regulation itself." [p.203]

"Almost coincidentally with the publication of [an] op-ed piece touting the adequacy of self-regulation, … an investment house that prides itself on integrity and tight controls announced that one of its senior traders had, over a more than two-year period, single-handedly reported trades totalling $1.76 *trillion* – nearly 10% of total annual global economic output – and reported profits on those trades of $349.7 million. Yet no one in the firm had noticed that only $79 billion of these trades had ever actually been made or that these trades had cost the firm $85.4 million in losses. Accepting the trader's report, management had given him $11 million in bonuses, a promotion, and a chairman's award and reported his false profits to General Electric, the firm's parent company. It took more than two years for either his supervisors or the firm's accounting and internal audit system to pick up the discrepancies." [p.204-205]

"It is worth a passing note that while this was going on, [senior management] were engaged in pitting Connecticut, New Jersey, and New York City against one another in a bidding war for the company's headquarters. According to [the company chairman], New York City's offer of subsidized electricity, sales tax breaks on equipment and services, and property tax reductions worth a total of $31 million would 'enable us to continue to operate in Manhattan on a cost-competitive basis'" [p.205]

Mergers and Buyouts

"'Mergers, acquisitions, and leveraged buyouts completed in 1988 cost a staggering $266 billion. … None of this … paid for as much as a single connecting bolt in a new machine … for an ounce of new fertilizer nor a single seed for a new crop … A corporation that takes the long view of its profits and the broad view of its social responsibilities is in great danger of being acquired by an investor group that can gain financially by taking over the corporation and turning it to the pursuit of more immediate profit' – William M. Dugger" [p.207]

"Finding ways to create new value in a sophisticated modern economy is seldom easy. Finding ways to create new value that will produce returns in the amount and with the speed demanded by a predatory financial system many times larger than the productive economy is virtually impossible. The quickest way to make the kind of profit the system demands is to capture and cannibalize existing values from a weaker market player. In a free market, the 'weaker' player is often the firm that is committed to investing in the future; providing employees with secure, well-paying jobs; paying a fair share of local taxes; paying into a fully funded retirement trust fund; managing environmental resources responsibly; and otherwise managing for the long-term human interest." [p.207]

There are even investment funds which state in their prospectus that their purpose is to buy up labour-intensive US companies and move the manufacturing operations to Mexico to take advantage of cheap labour. One fund estimates that it creates increased profits of $10k to $17k for each job that they shift to Mexico. This obviously increases the value of the shares held by the fund. [p.213-214]

The New Corporate Shape

The world's most successful transnational corporations are transforming selves, as follows:

1. **Downsizing.** Retain the finance, marketing, and proprietary technology functions in-house, at corporate headquarters. Farm out the manufacturing

work to networks of relatively small outside contractors – often in low-wage countries.

2. **Computerization.** The core corporation makes full use of computerization for management information systems, to co-ordinate the product network's far-flung activities.

3. **Competition.** Reduce competition by merging or acquiring competitors, or developing strategic alliances with them.

4. **Headquarters teamwork and morale.** Substantial attention is given to maintaining conditions that are conducive to high morale and effective teamwork among core personnel.

This restructuring creates a two-tiered employment system. Those employees engaged in the core corporate headquarters functions are well compensated, with full benefits and attractive working conditions. The peripheral functions – farmed out either to subordinate units within the corporation or to outside suppliers dependent on the firm's business – are performed by low-paid, often temporary or part-time 'contingent' employees who receive few or no benefits and to whom the corporation has no commitment. [p.216-217]

Free-market advocates say that a centrally-managed economy, such as that in the former Soviet Union, does not work and is contrary to the broader public interest. Yet we are heading towards a centrally-managed economy now, controlled by corporations instead of governments. "The 1991 sales of the world's five largest diversified service companies (all of which happen to be Japanese) were roughly equivalent to the entire 1988 gross domestic product (GDP) of the former Soviet Union." [p.221]

There are many examples of industries in which a very small number of companies control the vast majority of the North American or world market. With each passing year, the consumer is left with fewer and fewer choices.

Race to the Bottom

"'The recent quantum leap in the ability of transnational corporations to relocate their facilities around the world in effect makes all workers, communities and countries competitors for these corporations' favour. The consequence is a 'race to the bottom' in which wages and social conditions tend to fall to the level of the most desperate.' – Jeremy Brecher" [p.229]

"There is no longer security at any level of the pyramid. *The Economist* recently noted:

"Being the boss of a big American firm has been one of the safest and most richly-rewarded jobs in the world. Until recently, that is. Last week the bosses of IBM, Westinghouse and American Express lost their jobs. A few months earlier Robert Stempel was unceremoniously removed as chairman of General Motors.

"*The Economist* attributes the phenomenon to a shift of shareholders power from the individual investor to performance-oriented investment funds that are flexing their muscles to kick out top managers of corporations that they consider to be 'underperforming.' There is no need for takeover battles as fund managers realize that they can directly demand that the existing management of the companies whose shares they hold plunder them for the instant returns expected by an extractive financial system." [p.244]

The Ecological Revolution

The Copernican Revolution, in which Nicholas Copernicus published a paper claiming that the earth revolved around the sun rather than (as religion had said) the other way around, touched off a confrontation between science and the church as to whether scientific observation or divine revelation is the more valid source of human knowledge. For practical purposes in terms of how our society is structured, we can say that science won. This confrontation centred around a basic change in the prevailing perception of the nature of reality. Now, we need an Ecological Revolution. Much like the Copernican Revolution, this will require transforming the dominant belief systems, values, and institutions of our societies.

Based on our scientific approach to life, we tend to build systems around things that can be measured. Since the interactions among people tend to be too complex and difficult to measure, economists chose to observe the behaviour of markets rather than the behaviour of people. Market behaviour involves prices and flows of money, which are easily observed and measured. As a result of it being readily quantifiable, we have created systems which are structured around, and for, markets rather than people.

"Since a science must be objective and value-free, economics chose to reduce all values to market values as revealed in market prices. Thus air, water, and other essentials of life provided freely by nature are treated as valueless – until scarcity and privatization render them marketable. By contrast, gold and diamonds, which have almost no use in sustaining life, are valued highly. The value of a human life is arrived at by calculating a person's lifetime earning potential or 'economic contribution'. As a cynic once accurately noted, 'Economists know the price of everything and the value of nothing.'" [p.265]

"Money is something we choose to trade our life energy for … our allotment of time here on earth, the hours of precious life available to us. When we go to our jobs, we are trading our life energy for money." [p.266]

"Rather than teaching us that the path to fulfillment is to experience living to the fullest through our relationships with family, community, nature, and the living cosmos, the corporate-dominated media continuously repeat a false promise – whatever our longings, the market is the path to their instant gratification. Our purpose is to consume – we are born to shop. Entranced by the siren song of the market, we consistently undervalue the life energy that we put into obtaining money and overvalue the expected life energy gains from spending it. The more we give our life energies over to money, the more power we yield to the institutions that control our access both to it and to those things that it will buy. Yielding such power serves the corporate interest well, because corporations are creatures of money. It serves the human interest poorly, because we are creatures of nature and spirit." [p.266]

“Economic globalization deepens the dependence of localities on detached global institutions that concentrate power, colonize local resources, and share little stake in local success or failure. The greater the dependence, the less the ability of a locality to find within its own borders satisfactory solutions to its own problems.” [p.269]

Key principles to follow [p.272-273]:

1. **Principle of Environmental Sustainability.** Consumption / pollution should not exceed the rate at which the planet can regenerate.

2. **Principle of Economic Justice.** All members of society should have those things that are essential to a healthy, secure, productive, and fulfilling life.

3. **Principle of Biological and Cultural Diversity.** Self-explanatory.

4. **Principle of People’s Sovereignty.** The purpose of the human economy is to meet the needs of people – not of money, nor of corporations, nor of governments. People can best exercise these rights when: owners of assets are patient for returns, control of assets is local, and governance is as local as possible.

5. **Principle of Intrinsic Responsibility.** Healthy societies allocate the full costs of resource allocation decisions to those who participate in making them. That is, you can’t transfer any of your costs to a government or other outside agency.

6. **Principle of Common Heritage.** Healthy societies recognize that the environmental resources of the planet and the accumulated knowledge of the species are common heritage resources, and it is the right of every person – present and future – to share in their beneficial use. Neither may be rightfully monopolized or used in ways contrary to the broader interest of present and future generations. In other words, patent protection for ideas should be weakened substantially.

Four points to keep in mind [p.276]:

- Sovereignty resides only with people.
- Corporations have no natural or inalienable rights.
- The problem is the system (of institutional power).
- The Ecological Revolution is a revolution of ideas, not guns.

Good Living

“By organizing our societies around the pursuit of material gratification, we have made a virtue of social dysfunction and reduced the quality of our living.” [p.277]

"It is often noted that some 80% of environmental damage is caused by the world's 1.1 billion overconsumers. As Alan Durning points out in *How Much is Enough*, these are the roughly 20% of the world's people who organize their lives around cars, meat-based diets, and the use of prepackaged and disposable products." [p.279]

This is illustrated in the following table.

Overconsumers 1.1 billion people >US$7500 per capita (Cars, Meat, Disposables)	**Sustainers** 3.3 billion people US$700-7500 per capita (Living Lightly)	**Excluded** 1.1 billion people <US$700 per capita (Absolute Deprivation)
Travel by car and air	Travel by bicycle and public surface transport	Travel by foot or donkey
Eat high-fat, high-calorie, meat-based diets	Eat healthy diets of grains, vegetables, and some meat	Eat nutritionally inadequate diets
Drink bottled water and soft drinks	Drink clean water plus some tea and coffee	Drink contaminated water
Use throwaway products and discard substantial wastes	Use unpackaged goods and recycle wastes	Use local biomass and produce negligible wastes
Live in spacious, climate-controlled single-family homes	Live in modest, naturally ventilated homes, with extended or multiple families	Live in rudimentary shelters or in the open; usually lack secure tenure
Maintain image-conscious wardrobes	Wear functional clothing	Wear secondhand clothing or scraps

As an example of a more sustainable lifestyle, Korten offers his life in downtown New York City. He works at home; his wife commutes by subway. They don't own a car. 90% of what they buy is purchased within a three-block radius. Most of their food comes unpackaged from a nearby farmers' market. But, in general, our society is not structured to facilitate these types of behaviours. Most of our cities are designed in ways that strongly motivate you to drive your car.

He gives numerous examples of how citizens' networks are coming together to say "no" to the prevailing institutions of power. Increasingly, this networking is happening at a global level.

Agenda for Change

The following headings provide specific recommendations for changing our society.

Reclaiming our Political Spaces

Get corporations out of politics, and leave politics for people. "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." [p.309]

"So long as winning an election is excessively expensive and the only sources of adequate funding are powerful financial interests, policy will favour financial interests over the public interest." [p.310]

He suggests three changes: no political advertising on TV, limit on total campaign expenditures, and corporations should be banned from contributing money or resources to a political campaign.

"With their dominance of the mass media and their growing penetration of the classroom, corporations increasingly control and shape our primary institutions of cultural reproduction, constantly reinforcing the values of consumerism." [p.311]

Three measures to combat this:

- **Stronger antitrust legislation** (no corporation can own more than one media outlet; the operation of a media outlet should be the primary business of the corporation that owns it).

- **Advertising.** "In classical market economics, the role of business is to respond to market demand, not create it. Tax deductions for advertising provide a public subsidy for hundreds of billions of dollars a year in corporate advertising aimed at enticing people to buy things that they neither want nor need and creating a consumer culture that is alien to the needs of healthy societies. Advertising, other than purely informative advertising based on verifiable facts, is not in the public interest. Ideally, it should be prohibited. At a minimum, it should not be deductible as an expense and should be taxed at a rate of at least 50%." [p.311]

- **Schools** should be declared advertising-free zones, and corporate-sponsored teaching modules should be banned.

Reclaiming our Economic Spaces

Measures aimed at establishing local control of productive assets through institutions that are anchored in, and accountable to, the community:

- **Financial transactions tax of 0.5%** to discourage very short-term speculation. This is of even greater interest now, as some people are holding investments for time periods that are measured in seconds.

- **Graduated surtax on short-term capital gains**, such as: 80% for 1 week, 50% for 6 months, 35% for 3 years, and 10% for 3+ years.

- **100% reserve requirement on demand deposits at banks.** That is, the money you put in the bank stays in the bank, rather than being loaned out to someone else.

- **Tight regulation of financial derivatives.** Many forms of derivatives are basically high-risk gambling instruments that serve primarily to generate fees for the investment houses that package and sell them. Like any other form of gambling, their creation, sale, and purchase should be tightly regulated and heavily taxed.

- **Preferential treatment for community banks.** Require global banking companies to divest their branches. Require a high percentage of community investment for any deposits covered by federal deposit insurance. "The large, global money-centre banks that wish to speculate with their depositors' money in risky investments around the world should not enjoy the advantage of federal insurance protection." [p.314]

- **Rigorous enforcement of antitrust laws.**

- **Worker and community buyout options.** For example, before a major corporation is allowed to close a plant or undertake a sale or merger, the affected workers and community should have a legal right of first option to buy out the assets on preferential terms. The same should apply for corporations in bankruptcy.

- **Tax shifting.** "One of the most basic, but often violated, principles of tax policy is that taxes should be assessed against those activities that contribute to social and environmental disfunction. Therefore, corporate tax law should be revised to shift taxes from things that benefit society, such as employment – including employer contributions to social security, health care, and workers' compensation – in favour of taxing activities that contribute to social and environmental dysfunction, such as resource extraction, packaging, pollution, imports, corporate lobbying, and advertising."

- **Annual profit payout.** Corporations should be made to pay out all profits each year to their shareholders (reasons are complex).

- **Corporate subsidies.** Welfare reform should give top priority to getting dependent corporations off the welfare rolls.

- **Intellectual property.** Retain these rights only long enough to recover costs and reasonable profits. Then, knowledge becomes free for all, for the betterment of society.

As business is localized, it will be possible to localize government as well. It is the unwillingness of big business to accept the essential role of governmental regulation that creates the need for big government.

Income needs to be more evenly balanced amongst people. If income is grossly imbalanced, then rich people have power which they can use to colonize the environmental resources of poor people, thus consuming beyond their environmental means. Measures towards creating more secure and equitable societies include:

- **Guaranteed income.** Every person (rich or poor) receives a fixed amount, regardless of their other income.

- **Progressive income and consumption taxes.** Eliminate taxes on income up to the level required to meet basic needs in a comfortable, satisfying, and responsible way. Then have a graduated system of taxes, reaching up to 90% for very high incomes. Tax inheritances. There should be a substantial luxury tax on nonessential consumption items that are socially harmful or environmentally wasteful or destructive.

- **Equitable allocation of paid employment** (regardless of gender, race, or other extraneous considerations). Coupled with this, reduce the work week so people have more time to focus on society: their community, their family, etc. For example, we used to have a society in which most men worked for money and most women had societal roles. Now, more women are working for money and less time is available for societal functions. If we reduced the work week, both men and women would have more time available for societal work.

Localizing the Global System

Implement policies which favour:

- empowering the local to control and manage local resources to local benefit;
- making it difficult for any locality to externalize its production or consumption costs beyond its borders; and
- encouraging cooperation among localities in the search for solutions to shared problems

Policies along these lines:

- **International debt reduction for low-income countries.** Release the poor people of low-income countries from national debt bondage that leaves them defenceless against the colonization of their economies and resources by the global system.
- **International financial transactions tax** (as first proposed by 1981 Nobel Prize winner James Tobin, thus giving it the name "Tobin Tax"). This would apply a tax of 0.5% on all foreign exchange to deter speculative financial exchange.
- **Regulation of transnational trade and investment.** Coordinate anti-trust actions between countries. Limit intellectual property rights.
- **Environmental resources monitoring.** Develop environmental information systems which make the shifting of environmental burdens visible, and thus encourage environmental self-reliance.
- **World Bank.** Close it. Its major function is to make loans to poor countries, which necessarily increases their international indebtedness.
- **International Monetary Fund.** Replace it with a new organization geared to: write off debts of poor countries; regulate international financial markets; provide forum for co-ordination of government policies; and collect and administer the Tobin Tax.
- **World Trade Organization.** Replace it with a new organization geared to regulation of transnational corporations and trade.

“By taking actions such as those suggested above, we can reclaim the power we have yielded to the global system and restore our ability to rebuild our communities and heal the earth as we work to create healthy societies that allow us to experience life in its fullness and diversity. Otherwise, we will continue to live under the tyrannical rule of a global financial system that is leading us in the direction of almost certain social and ecological collapse. We must hold one thought clearly in mind: The global institutions of money have only the power we yield to them. It is our power. We can reclaim it.” [p.324]