

Lighting the Way to a New Economy



Life or money: that is our choice. The current system serves predominantly money. Our task is to replace it with a New Economy that serves life. My vision of the new economy is a global system of human-scale, interconnected Local Living Economies that function in harmony with local ecosystems, meet the basic needs of all people, support just and democratic societies and foster joyful community life.

Building a New Economy

We must shift the economic system's defining value from money to life; its focus of decision-making power from global corporations and financial markets to local people and communities; and its defining purpose from growing profligate consumption to supporting healthy, joyful living.



The goal is a New Economy that benefits all citizens and is based on real wealth. Real wealth has intrinsic value, as contrasted to mere exchange value. Life, not money, is the measure of real-wealth value. Examples include land, labor, knowledge and physical infrastructure. The most valuable examples of real living wealth are those that are beyond price: a healthy happy child, a meaningful living wage job, a healthy natural environment. Also called illusory wealth, phantom wealth is wealth that appears or disappears as if by magic. The term generally denotes money created by accounting entries or the inflation of asset bubbles unrelated to the creation of anything of real value or utility. The high-tech stock and housing bubbles are examples. Actualizing the New Economy vision requires a profound transformation of cultural values, institutional power and our ways of living.

David Korten
Living Economies Forum

We must shift the economic system's defining values, overhaul the money system and bring about policies that support greater equitability for all citizens.

Redefining Economic Indicators

Gross domestic product (GDP), a measure of the country's economic output, is often used as a measure of the economy's beneficial performance. But GDP is essentially a measure of how fast money is flowing through the economy. Using it as our leading economic indicator results in a vast range of distortions. Growth in expenditures on incarceration, toxic waste clean-up and weapons manufacture all contribute to GDP, but are reflections of social and economic failure—not success.

The problem begins with the practice of reducing everything to a financial metric. This puts the emphasis on the economy's financial performance, which often translates into its phantom-wealth performance, rather than its real-wealth, living world performance. Indices like the Genuine Progress Indicator modify GDP to correct for certain distortions and are a step in the right direction, but they retain the limitation of reducing life values to financial values.

We get what we measure, so let's measure economic performance against living wealth indicators of the health of people, communities and natural systems. Real economic performance is properly measured in terms of such things as improvements in air quality and

species extinction rates, decreasing length of the average commute and reduction of infant mortality, childhood obesity, teen pregnancy and divorce rates. These are among the indicators of the real performance of the economy in terms of its contribution, or lack thereof, to the well-being of society. The idea that it is possible to reduce assessment of the health and performance of the complex economies of modern societies to a single financial metric is itself highly questionable.

If we must reduce this complexity to a single index, then let it be an index based on real living wealth indicators, for example, the Happy Planet Index compiled by the New Economics Foundation in London.¹ It is a composite of three indicators: life expectancy, life satisfaction or happiness and the ecological footprint, an indicator of the economy's per capita environmental burden. The result is an indicator of the ecological efficiency with which a society's economy is producing a given level of physical and emotional well-being. The results demonstrate that it is possible to live long, happy lives with a relatively small environmental impact.

As we replace financial indicators like GDP with living wealth indicators that focus attention on real economic performance, we can see more clearly the benefits of reallocating real-wealth resources from weapons to

Gross Domestic Product (GDP)

- Measure of a country's economic output, or how fast money is flowing through the economy
- Using it as our leading economic indicator results in a **vast range of distortions**—including positive growth associated with money spent on increased incarceration, toxic waste clean-up, weapons manufacture, etc.

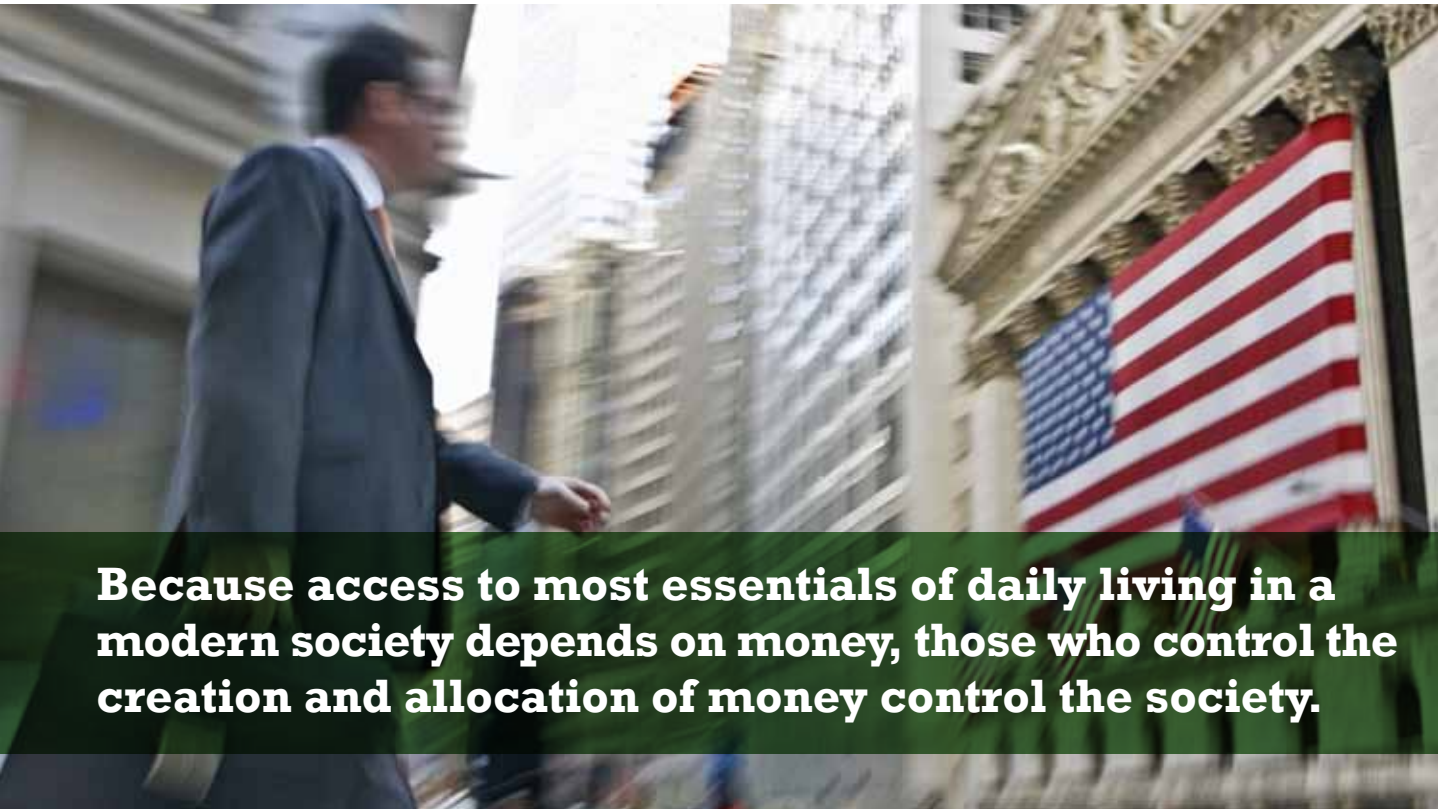
→ **Distorted**

Genuine Progress Indicator (GPI)

- Starts with same personal consumption data that the GDP is based on
- Adjusts for factors such as: Income distribution
- Adds factors such as: Value of household & volunteer work
- Subtracts factors such as: Costs of crime & pollution

→ **Holistic**





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healthcare and environmental rejuvenation, from prisons to rehabilitation, from suburban sprawl to compact communities, from automobiles to public transportation, from fossil fuels to energy conservation and development of sustainable energy sources, from mining to recycling, from advertising to education and from financial speculation to financing local entrepreneurship.

Changing the Money System

Money is merely a number of no intrinsic value created from nothing when a bank issues a loan. Yet, because access to most essentials of daily living in a modern society depends on money, those who control the creation and allocation of money control the society. We have allowed Wall Street to achieve monopoly control of the creation and allocation of money and thereby to make its values and priorities the values and priorities of the society.

We need a financial system that makes credit readily available at favorable rates to Main Street businesses that create family wage jobs producing real goods and services—and makes credit scarce and expensive for Wall Street speculators and predators. In short, we need to fundamentally restructure the money system

to look much like it did before the wave of deregulation that began in the late 1970s, based on locally owned independent, cooperative community banks and credit unions with a clear mandate to fund local homeowners and responsible businesses.

In the new money system, individual states would each have their own state-owned bank to issue credit for public investments. In addition the Federal Reserve would be a true federal central bank that operates transparently in the public interest to oversee money supply management and issue interest-free credit to the federal government rather than issuing it to private banks to in turn loan to the federal government at interest for purely private gain.

Wall Street’s useful and essential functions—serving as a depository for savings, financing home ownership and business development, insuring against risk and clearing check and credit card transactions—can all be organized in ways that are more efficient, accountable and responsive than the current Wall Street model. The New Economy goal is a money system designed to assure transparency and public accountability, and a stable non-inflationary money supply responsive to community needs.

Creating Greater Equitability

In a finite world of limited real resources, the only way to meet the needs of everyone is for income and ownership to be equitably distributed through policies that support living wages, progressive taxation, quality public health and education service and broad participation in home and business ownership. The equitable participation in income and ownership is an essential foundation for democracy and a real market economy.

We were raised in America to believe that capitalism is synonymous with a market economy, democracy and human liberty. Turns out it isn’t true. The term *capitalism* means “rule by capital,” which means rule by the owners of capital. It was originally used to refer to an economy in which ownership of the means of production is monopolized by a small financial elite for its exclusive benefit to the exclusion of the interests of the rest of the society. Our current Wall Street–dominated economy is a capitalist economy—and we bear the consequences.

from the editor

Slows BarBQ: Building Restaurants, Community and Hope in Downtown Detroit

No city makes headlines for economic depression more often than Detroit, Michigan. Troubled by the loss of manufacturing jobs, followed by crime and political corruption, downtown Detroit is now littered with vacant lots and condemned buildings. While the Motor City is not the prettiest place today, many entrepreneurs see a city ready to be rebuilt for the New Economy.

After buying a once-prime storefront for pennies on the dollar, Phillip Cooley co-founded Slows BarBQ to start a successful restaurant and help his city because, “If I’m here, and I actually go out and I’m part of the community, I can actually do something and make a difference in Detroit. You don’t have a lot of chains choking out smaller stores, so in this city people work together. We’re so underserved commercially that small mom n’ pops make a lot of sense.”¹

Cooley and his partners cook with fresh, locally sourced ingredients, sell local beer and wine, and frequently volunteer at and donate food for community events. As a result, Slows BarBQ has become a household name, bringing people and hope back into the downtown.

Now Cooley’s focus is on rebuilding Roosevelt Park, a plaza that sits in front of the dilapidated Michigan Central Station. Cooley believes that with a little work from community volunteers the park can become a premiere destination for sports, music, and theater. Bringing visitors to the park would encourage the city to redevelop the enormous, vacant train station, opening the doors for thousands more entrepreneurs to follow in Cooley’s footsteps.



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In South Carolina, Greenville's Main Street was once lined with numerous vacant buildings, but with the city's long-term commitment to planning and implementation during the past 30 years, Main Street has turned into a magnet of commerce and social activity that is now expanding into neighboring areas.

Transitioning From the Old Economy to a New Economy

The larger change strategy has three primary elements: first, change the cultural stories that frame our understanding of the nature and purpose of the economy and its defining institutions. Second, create a new economic reality from the bottom up through efficiency and self-reliance. And third, change the rules of the game at local, national and global levels to support ecological balance, equitable distribution and living democracy over environmental destruction, wealth concentration and political corruption.

Rather than tweaking Wall Street rules to reduce the fraud and delay the next financial crash, we need to get on with bringing forth the strong, green Main Street living economies that put people to work providing

**What is created by human choice
can be changed by human choice.**

their communities with food, shelter, water, education, healthcare, public safety and other basic needs of daily life. The work of economic transformation begins with articulating and spreading a New Economy vision. As a society, we cannot create a future that we cannot see in our collective mind.

The work begins with spreading a vision of a global system of human-scale interconnected Local Living Economies that function in harmony with local ecosystems, meet the basic needs of all people, support just and democratic societies and foster joyful community life. Although, it is an epic, even audacious, undertaking, we now have the knowledge and communication capabilities necessary to achieve it. No single organization is going to achieve such an audaciously ambitious agenda on its own, but fortunately many are contributing to this agenda. From the New Economy Network and the Business Alliance for Local Living Economies (BALLE) to the New Economy Working Group and Business for Shared Prosperity, along with many others, individuals and organizations are making distinctive contributions to the New Economy vision.

Every transformational social movement begins with an idea that spreads through a conversation to challenge a prevailing cultural story and ultimately displace it with a new story of unrealized possibility. The civil rights movement changed the story on race. The environmental movement is changing the story about the human relationship to nature. The women's movement changed the story on gender. The future of humanity lies in the balance, and millions of people the world over are rising to this great challenge. Now is the hour. We have the power. We are the ones we've been waiting for.

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David Korten is cofounder and board chair of the Positive Futures Network, which publishes YES! magazine. His most recent book is *Agenda for a New Economy: From Phantom Wealth to Real Wealth*. His other books include *The Great Turning: From Empire to Earth Community*, the international best seller *When Corporations Rule the World* and *The Post-Corporate World: Life After Capitalism*. Korten has MBA and PhD degrees from the Stanford University Graduate School of Business, served as a Harvard Business School professor and, for 30 years, worked as a development professional in Asia, Africa and Latin America.



Photo courtesy Ben Fisher/GAV Alliance



Photo courtesy Royal Family of Bhutan

“There is more to life than money and it's time we focused not just on GDP but on GWB – general wellbeing.”

Measuring National Happiness and Well-being

To help guide national policy, the UK government will measure the subjective well-being of its citizens.

“It's time we admitted that there's more to life than money and it's time we focused not just on GDP but on GWB – general wellbeing,” said UK Prime Minister Dave Cameron.¹

The project aims to measure the country's progress in more than national income, which only offers an economic outlook. The British government wants to know how its citizens think and feel about the quality of their lives and the Office of National Statistics will include quality-of-life questions with their regularly scheduled household surveys.²

“Wellbeing can't be measured by money or traded in markets. It's about the beauty of our surroundings, the quality of our culture and, above all, the strength of our relationships,” said Prime Minister Cameron. “Improving our society's sense of wellbeing is, I believe, the central political challenge of our times.”³

The UK is not the only country looking beyond GDP. In 2009, French President Nicolas Sarkozy commissioned a report about alternative measures of happiness, which recommended measuring material well-being.⁴ In Bhutan, the “Gross National Happiness” indicator is the main indicator of the country's development. Ecuador and Bolivia incorporated *buen vivir* (living well) into their constitutions.⁵ In the US, Maryland is experimenting with the Genuine Progress Indicator, which examines 26 different quality of life indicators.⁶

Many examples here in the US show that national income clearly does not measure a nation's welfare. Fortunately, there are a few innovative governments and growing awareness for the value of measuring progress that makes life better for its citizens.

from the editor