

PROLOGUE: A PERSONAL JOURNEY

I think there are good reasons for suggesting that the modern age has ended. Today, many things indicate that we are going through a transitional period, when it seems that something is on the way out, and something else is painfully being born. It is as if something were crumbling, decaying and exhausting itself, while something else, still indistinct, were arising from the rubble.

—Václav Havel, *president of the Czech Republic*

My personal journey of the past several years has brought me into contact with people of widely diverse backgrounds in countries as different as the Philippines, Hungary, New Zealand, Bangladesh, Brazil, South Africa, Thailand, and the United States. Everywhere I travel, I find an almost universal sense among ordinary people that the institutions on which they depend are failing them. Many are increasingly fearful of a future that seems to offer declining prospects for themselves and their children. In the United States and elsewhere, this fear is creating a growing sense of political frustration and alienation that is finding current expression in falling voter turnouts, a taxpayer revolt, and the rejection of political incumbents. Yet the real issues go far deeper than a simple rejection of big government.

Although politicians and the press play to the public's frustration over governmental failure, they display little understanding of the root causes of rising poverty and unemployment, inequality, violent crime, failing families, and environmental deterioration that lead so many people to foresee a dark future. Our leaders seem to be unable to move beyond blaming their political opponents and promoting the same old ineffectual solutions—accelerating

economic growth through deregulation, cutting taxes, removing trade barriers, giving industry more incentives and subsidies, forcing welfare recipients to work, hiring more police, and building more jails.

Often, the people who live ordinary lives far removed from the corridors of power have the clearest perception of what is really happening. Yet they are often reluctant to speak openly about what they believe in their hearts to be true, because it is too frightening and differs too dramatically from what those with more impressive credentials and access to the media are saying. These suppressed insights leave people feeling isolated and helpless. The questions nag: Are things really as bad as they seem to me? Why don't others see it? Am I stupid? Am I being intentionally misinformed? What can I do? What can anyone do?

I have been struggling for a number of years with the same questions, at first with a similar sense of isolation, but increasingly with an awareness that millions of others are asking these same questions. Even so, each time I prepare to speak to a new group I am invariably nervous that what I have to say will be rejected out of hand in a world committed to growth, big business, and deficit financing. Yet the usual response is an outpouring of affirmation from people who express their relief and pleasure at the experience of having their own perspectives affirmed in a public forum. Getting the difficult and unpleasant truth on the table for discussion is a necessary first step toward action. Fear of the unknown may immobilize us, but the truth empowers us to act.

ROOTS OF THE INQUIRY

For me, each book I write is a new step in a continuing intellectual journey. It may be helpful for you to know something about the experiences that led me to the views I now hold and that I share in the following pages. The history of these experiences also provides an overview of the central arguments of *When Corporations Rule the World*.

I was born in 1937 into a conservative, white, upper-middle-class family and grew up in Longview, Washington, a small timber-industry town of some 25,000 people. Assuming that one day I would manage the family's retail music and appliance business, I had no particular interest in venturing beyond the borders of the United States. As a psychology major at Stanford University, I focused on musical aptitude testing and the uses of psychology to influence buying behavior. Then in 1959, during my senior year, a curious thing happened.

At that time a very conservative Young Republican, I was deeply fearful of the spread of Communism and the threat it posed to the American way of life I held so dear. This fear drew me to take a course on modern revolutions taught by Robert North, a professor of political science. There I learned that poverty was fueling revolutions the world over. In one of those rare, deeply life-changing moments, I made a decision. I would devote my life to counter-ing this threat by bringing the knowledge of modern business management and entrepreneurship to those who had not yet benefited from it.

I prepared myself with an MBA in international business and a PhD in organizational theory from the Stanford Business School. Three years in Ethiopia setting up a business school with the help of my newlywed life partner Frances Korten provided my apprenticeship. I did my obligatory military service during the Vietnam War as a captain in the U.S. Air Force, fulfilling staff assignments at the Special Air Warfare School, the Office of the Secretary of the Air Force, and the Office of the Secretary of Defense. I then signed up for what turned out to be a five-and-a-half-year tour on the faculty of the Harvard University Graduate School of Business.

For three of my Harvard Business School years I served as the Harvard advisor to the Nicaragua-based Central American Management Institute (INCAE), a graduate business school catering to the elite business families of the Central American and Andean countries. After returning to Boston, I taught for two more years at the Business School and then moved to the Harvard Institute for International Development and the Harvard School of Public Health. At the beginning of 1978, Fran and I joined the Ford Foundation staff in the Philippines and remained in Southeast Asia for the next fourteen years. While Fran stayed with Ford, I moved on to spend eight years as a senior advisor on development management at the U.S. Agency for International Development (USAID), the official U.S. foreign aid program.

I share this detail to establish the depth of my conservative roots. The more interesting part of my story, however, has to do with my gradual awakening to the conclusion that the conventional development practice espoused by most conservatives and even many liberals is a leading cause of—not the solution to—a rapidly accelerating and potentially fatal human crisis of global proportions.

The first step toward my awakening came with the course on modern revolutions. Then in 1961, a summer in Indonesia immersed me in the realities of underdevelopment and brought me into contact with the heroic struggles, spiritual grounding, and generosity of people who live in desperate poverty. It was an aspect of the human experience I had not previously en-

countered. While at INCAE in the early 1970s, I wrote a number of Harvard Business School-style management cases for a course I was teaching on the management of change. They were based on Latin American experiences, and many involved efforts by government, business, and voluntary agencies to improve the conditions of the urban and rural poor. Many of these cases carried a disturbing message: externally imposed “development” was seriously disrupting human relationships and community life and causing significant hardship for the very people it claimed to benefit. By contrast, when people found the freedom and self-confidence to develop themselves, they demonstrated enormous potential to create a better world. I became fascinated with the challenge of transforming development programs to support these kinds of self-led, grassroots processes.

During our INCAE and Harvard years, Fran and I also became involved in efforts to improve the management of family-planning programs. This brought us into contact with many local initiatives, including those of poor people who were trying to gain control of their lives on a declining resource base.

When Fran and I left Harvard to join the Ford Foundation staff in Manila, Fran inherited a portfolio of grants that included a small grant to the Philippine National Irrigation Administration (NIA). It was intended to strengthen the NIA's ability to assist small farmer-owned-and-operated irrigation systems. This led to a long-term cooperation between the NIA and the Ford Foundation that ultimately transformed the NIA from an engineering-and-construction-centered organization that dictated to farmers to one that worked in partnership with farmer organizations and encouraged a substantial degree of local self-governance.

We were able to see the powerful energies that people and communities can mobilize on their own behalf when development initiatives are actually centered in people. We saw firsthand how foreign-funded development projects commonly overwhelm such efforts—even many projects that seek to embrace them. We also learned how careful strategic grant making can be used to debureaucratize large centralized public agencies and strengthen control of local resources by local people. USAID invited me to help it apply the lessons of this experience to its programming in Asia. I focused on this task for eight years, only to conclude that USAID was too big and bureaucratic to be effective as a catalyst in helping other development agencies become less bureaucratic.

These experiences left me with a deep conviction that real development cannot be purchased with foreign aid monies. Development depends on people's ability to gain control of and effectively use the real resources of their

localities—land, water, labor, technology, and human ingenuity and motivation—to meet their own needs. Yet most development interventions transfer control of local resources to ever larger and more centralized institutions that are unaccountable to local people and unresponsive to their needs. The greater the amount of money that flows through these central institutions, the more dependent people become, the less control they have over their own lives and resources, and the more rapidly the gap grows between those who hold central power and those who seek to make a living for themselves within local communities.

I came to see the difference between those things that increase economic growth and those that result in better lives for people. This difference raised a basic question: What would development look like if instead of being growth and money centered it were truly people centered—with people being both its purpose and its primary instrument? In 1984, I edited the anthology, *People-Centered Development*, published by Kumarian Press. In 1986, I edited another Kumarian anthology, *Community Management*, which focused on the importance of getting resource control in the hands of people.

The more I saw development's presumed beneficiaries struggling to maintain their dignity and the quality of their lives in the face of the systemic attack by the development agencies and projects that were colonizing their resources, the more alienated I became from mainstream development thinking. In 1988, I left USAID but remained in Southeast Asia.

Having become disillusioned with official development agencies, I immersed myself in the world of nongovernmental organizations (NGOs) and soon found myself among NGO colleagues who were raising similar questions about the nature and process of development. I became a synthesizer and scribe of the collective insights emerging from an increasingly dynamic dialogue within the NGO community. It was a period of intense personal learning that led to my next book, *Getting to the 21st Century: Voluntary Action and the Global Agenda*, published by Kumarian Press in 1990. That book focused on the threefold human crisis of deepening poverty, environmental destruction, and social disintegration, and it traced the roots of the crisis to models that made growth the goal of development and treated people as mere means. It concluded that since the dominant institutions of modern society are creations of a growth-centered development vision, the leadership for change must necessarily come from voluntary citizen action.

Embracing this argument to recast my own commitments, I joined a number of colleagues to found the People-Centered Development Forum (PCDForum), a global citizen network engaged in articulating and advancing

a people-centered vision of the future and redefining development practice in line with that vision. The PCDForum has particularly examined the role of national and global structures and institutions in depriving people and place-based communities of the power to meet their own needs in responsible, sustainable ways. This explains what some people may see as a paradox: although I talk of the need for local empowerment, much of my attention is focused on the transformation of global institutions. I am among those who seek to transform the global to empower the local.

In November 1992, I went to Baguio, a Philippine mountain resort town, to meet with the leaders of several Asian NGOs. We engaged in a ten-day reflection on Asian development experience and its implications for NGO strategies. We were concerned that Asia's economic success is dangerously superficial. Beneath the surface of dynamic competitive economies lies a deeper reality of impoverishment and spreading disruption of the region's social and ecological foundations. Our discussions turned to the need for a theory that would explain and provide guidance in addressing the deeper causes of the crisis. Without a theory, we were like a pilot without a compass. Late one night in a small Chinese restaurant, our discussions began to converge on two fundamental insights. First, we did not need an alternative theory of development as our guide. Rather, we needed a theory of sustainable societies that would apply to Northern and Southern countries alike. Second, the theory must go beyond the sterile formulations of economics to explain why human societies have become so alienated from natural processes.

As we continued our discussion over the next few days, the pieces began to fall into place. The Western scientific vision of a mechanical universe has created a philosophical or conceptual alienation from our own inherent spiritual nature. This has been reinforced in our daily lives by the increasing alignment of our institutions with the monetary values of the marketplace. The more dominant money has become in our lives, the less place there has been for any sense of the spiritual bond that is the foundation of community and a balanced relationship with nature. The pursuit of spiritual fulfillment has been increasingly displaced by an all-consuming and increasingly self-destructive obsession with the pursuit of money—a useful but wholly substanceless and intrinsically valueless human artifact.

It seemed evident from our analysis that to reestablish a sustainable relationship to the living earth, we must break free of the illusions of the world of money, rediscover spiritual meaning in our lives, and root our economic institutions in place and community so that they are integrally connected to

people and life. Consequently, we concluded that the task of people-centered development in its fullest sense must be the creation of life-centered societies in which the economy is but one of the instruments of good living—not the purpose of human existence. Because our leaders are trapped in the myths and the reward systems of the institutions they head, the leadership in this creative process of institutional and values re-creation must come from within civil society.

It was in so many ways an unremarkable insight. We had accomplished little more than to rediscover the ancient wisdom that a deep tension exists between our spiritual nature and our economic lives, and that healthy social and spiritual function depends on keeping the two in proper balance and perspective. Nor was there anything new in recognizing the importance of civil society, which has always been the foundation of democratic governance. Yet we felt that we had deepened our own insights into the practical relevance of these ideas for the crisis that imperils contemporary societies. *When Corporations Rule the World* builds from these insights and flows from my commitment to my Asian NGO friends and colleagues to help communicate their concerns and the lessons of their experience to a Northern audience.

RETURNING HOME

In the summer of 1992, shortly before the Baguio retreat, Fran and I left Southeast Asia to return to the United States. We had announced our decision to friends and colleagues in our Christmas letter with the following explanation:

We were drawn to these far-away regions in the early 1960s by a belief that they were the locus of the development problems to which we had decided as young university students to dedicate our careers. We began these careers challenged by a mission—to help share the lessons of America’s success with the world—so that “they” could become more like “us.”

Development as we understood it thirty years ago, and as it is to this day vigorously promoted by the World Bank, the IMF [International Monetary Fund], the Bush administration, and most of the world’s powerful economic institutions, isn’t working for the majority of humanity. And the roots of the problem are not found among the poor of the “underdeveloped” world. They are found in the countries that set global standards for wasteful extravagance and dominate

the global policies that are leading our world to social and ecological self-destruction.

Now thirty years older and hopefully a good deal wiser, Fran and I have come to realize the extent to which America's "success" is one of the world's key problems. Indeed, the ultimate demonstration of this assertion is found in America itself.

From our vantage point in Asia we have watched in horror as the same policies the United States has been advocating for the world have created a Third World within its own borders as revealed in its growing gap between rich and poor, dependence on foreign debt, deteriorating educational systems, rising infant mortality, economic dependence on the export of primary commodities—including the last remaining primary forests—indiscriminate dumping of toxic wastes, and the breakdown of families and communities.

While we have been away from home, the powerful have consolidated the nation's wealth in their own hands and absolved themselves of responsibility for their less fortunate neighbors. Labor unions have withered as American workers desperate to keep their jobs have been forced to compete with the even more desperate unemployed of Mexico, Bangladesh, and other Third World countries by negotiating for wage cuts with corporations that may still bear American names but honor no national allegiance.

We feel that our own education has been the primary product of our years abroad and that it is now time to return home to face up to our responsibilities to confront the problem at its geographical source. New York, a major center of economic power manifesting all the qualities of a contemporary Third World city—including wandering armies of the homeless juxtaposed with the extravagant lifestyles of the rich and famous, incapacitated government, and indiscriminate violence—seemed an appropriate choice. So we are moving to the belly of the beast, bringing the perspectives gained from our thirty years of learning about the causes of these conditions.

We had set out to solve for others the problems we perceived to reside in them by making them more like us. We now came back home to help our own compatriots better understand the ways in which the United States has contributed to placing the world, ourselves included, on a self-destructive course. Only when we are prepared to assume responsibility for changing ourselves will others be able to fully reclaim the social and environmental spaces we

have appropriated from them and recover their ability to meet their own needs within a just, democratic, and sustainable world of cooperative partnerships.

DISCLOSURE STATEMENT

As the issues discussed in these pages are inseparable from basic questions of values, I believe it is appropriate to disclose the underlying political and spiritual values I bring to the exchange. With regard to political values, I remain a traditional conservative in the sense that I retain a deep distrust of large institutions and their concentrations of unaccountable power. I also continue to believe in the importance of the market and private ownership. However, unlike many contemporary conservatives, I have no more love for big business than I have for big government. Nor do I believe that possession of wealth should convey special political privilege.

I share the liberal's compassion for the disenfranchised, commitment to equity, and concern for the environment and believe that there are essential roles for government and limits to the rights of private property. I believe, however, that big government can be as unaccountable and destructive of societal values as can big business. Indeed, I distrust any organization that accumulates and concentrates massive power beyond the bounds of accountability. And I believe that every individual shares a responsibility to and for the whole of life. In short, I align with those who are defining a new path that is more pragmatic than ideological and who cannot be easily pigeonholed within the conventional conservative-liberal spectrum of political choice.

I first encountered economics in college when I chose it as my undergraduate major. I soon found it mechanistic, boring, and detached from reality, so I switched to the study of human behavior and organization. I've since come to realize that economic systems are the dominant systems for organizing behavior in modern societies and are most appropriately studied as behavioral systems.

Although this book takes a harshly critical look at the institution of the corporation and the system within which business functions, I have never been, and am not now, anti-business. An efficient system of industry and commerce is essential to human well-being. As an MBA student, I believed that global corporations might offer an answer to the problems of poverty and human conflict. I have since concluded, however, that the systemic forces nurturing the growth and dominance of global corporations are at the heart of the current dilemma. I now believe that to avoid collective catastrophe we

must radically transform the underlying system of business to restore power to the small and local.

With regard to spiritual values, I was raised in the Protestant Christian faith but find wisdom in the teachings of all the great religions. I believe that each person has access to an inner spiritual wisdom and that our collective salvation as a species depends, in part, on tapping into this wisdom from which the institutions of modern science, the market, and even religion have deeply alienated us. Through this rediscovery we may achieve the creative balance between market and community, science and religion, and money and spirit that is essential to the creation and maintenance of healthy human societies.

I hope that this introduction will help you approach this book as you would an active conversation with a valued friend. In reading this book, you are in fact engaging in an exchange with many friends who have had important roles in shaping the analysis and the vision it presents. If you are not already involved in the larger conversation on these issues, I hope that this book will encourage you to become so engaged with your friends and colleagues. I ask, however, that readers not attempt to contact me directly for personal guidance or to discuss issues raised in my writing as I simply do not have the time and resources to respond individually—as much as I wish I did.

If you are among those who work in a large corporation, I urge you to step out of your corporate role while reading *When Corporations Rule the World*. Read it from the perspective of your role as a citizen and a parent concerned for the future of your children. This may make it easier and less painful to hear and assess the book's underlying message objectively and to consider its invitation to join the movement to transform the system.

Please read what follows actively and critically. Bring your own perspectives and insights to bear. Question. Challenge. Consider the implications for the way you want to live your life. Discuss it with friends. Tell them where you agree, where you disagree, what new insights you gained, where you find it incomplete. Get their thoughts. Explore new avenues together. Take the conversation to a new level. And act.

Although the general direction we must travel becomes clearer with each passing day, no one has yet been where we must go. If we seek a well-marked road, we will look in vain. To borrow from the title of a book of conversations between Myles Horton and Paulo Freire, two of the great social activists of our time, we set our sights on a destination beyond the distant horizon and then “We make the road by walking.”

THE ARGUMENT

Part of our inability to come to terms with institutional systems failure stems from the fact that television reduces political discourse to sound bites and academia organizes intellectual inquiry into narrowly specialized disciplines. Consequently, we become accustomed to dealing with complex issues in fragmented bits and pieces. Yet we live in a complex world in which nearly every aspect of our lives is connected in some way with every other aspect. When we limit ourselves to fragmented approaches to dealing with systemic problems, it is not surprising that our solutions prove inadequate. If our species is to survive the predicaments we have created for ourselves, we must develop a capacity for whole-systems thought and action.

Whole-systems thinking calls for skepticism about simplistic solutions, willingness to seek connections between problems and events that conventional discourse ignores, and the courage to delve into subject matter that may lie outside our direct experience and expertise. In taking a whole-systems perspective, this book covers a broad territory with many elements. To help you keep in mind how the individual arguments that are developed and documented throughout the book link into a larger whole, the overall argument is summarized here. I don't ask you to accept these many arguments at face value, only to keep an open mind until you have had the opportunity to examine the reasoning and documentation underlying each of them. At that point, I trust that you will exercise your own independent critical judgement and eventually build your own syntheses that may or may not correspond with mine. Always bear in mind that we are all participants in an act of creation, and none of us can claim a monopoly on truth in our individual and collective search for understanding of these complex issues.

The point of departure of *When Corporations Rule the World* is the evidence that we are experiencing accelerating social and environmental disintegration in nearly every country of the world—as revealed by a rise in poverty, unemployment, inequality, violent crime, failing families, and environmental deterioration. These problems stem in part from a fivefold increase in economic output since 1950 that has pushed human demands on the ecosystem beyond what the planet is capable of sustaining. The continued quest for economic growth as the organizing principle of public policy is accelerating the breakdown of the ecosystem's regenerative capacities and the social fabric that sustains human community; at the same time, it is intensifying the competition for resources between rich and poor—a competition that the poor invariably lose.

Governments seem wholly incapable of responding, and public frustration is turning to rage. This situation is more than a failure of government bureaucracies, however. It is a crisis of governance born of a convergence of ideological, political, and technological forces behind a process of economic globalization that is shifting power away from governments responsible for the public good and toward a handful of corporations and financial institutions driven by a single imperative, the quest for short-term financial gain. This has concentrated massive economic and political power in the hands of an elite few whose absolute share of the products of a declining pool of natural wealth continues to increase at a substantial rate—thus reassuring them that the system is working perfectly well.

Those who bear the costs of the system's dysfunctions have been stripped of decision-making power and remain confused about the cause of their distress because the corporate-dominated media incessantly bombards them with interpretations of the resulting crisis based on the perceptions of the power holders. An active propaganda machine controlled by the world's largest corporations constantly reassures us that consumerism is the path to happiness, governmental restraint of the market is the cause of our distress, and corporate globalization is both a historical inevitability and a boon to the human species. In fact, these are all myths propagated to justify profligate greed and mask the extent to which the global transformation of human institutions is a consequence of the sophisticated, well-funded, and intentional interventions of a small elite whose money enables them to live in a world of illusions apart from the rest of humanity.

These forces have transformed once-beneficial corporations and financial institutions into instruments of a market tyranny that reaches across the planet like a cancer, colonizing ever more of the planet's living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money. As our economic system has detached from place and gained greater dominance over our democratic institutions, even the world's most powerful corporations have become captives of a globalized financial system that has delinked the creation of money from the creation of real wealth and rewards extractive over productive investment. The big winners are the corporate raiders who strip sound companies of their assets for short-term gain and the speculators who capitalize on market volatility to extract a private tax from those who are engaged in productive work and investment.

Faced with pressures to produce greater short-term returns, the world's largest corporations are downsizing to shed people and functions. They are

not, however, becoming less powerful. While tightening their control over markets and technology through mergers, acquisitions, and strategic alliances, they are forcing both subcontractors and local communities into a standards-lowering competition with one another to obtain the jobs that global corporations control. The related market forces are deepening our dependence on socially and environmentally destructive technologies that sacrifice our physical, social, environmental, and mental health to corporate profits.

The problem is not business or the market per se but a badly corrupted global economic system that is gyrating far beyond human control. The dynamics of this system have become so powerful and perverse that it is becoming increasingly difficult for corporate managers to manage in the public interest, no matter how strong their moral values and commitment.

Driven by the imperative to replicate money, the system treats people as a source of inefficiency and is rapidly shedding them at all system levels. As the first industrial revolution reduced dependence on human muscle, the information revolution reduced dependence on our eyes, ears, and brains. The first industrial revolution dealt with the resulting unemployment by colonizing weaker peoples and sending the surplus populations off as migrants to less populated lands. People in colonized countries fell back on traditional social structures to sustain themselves. With the world's physical frontiers largely exhausted and social economies greatly weakened by marked intrusion, few such safety valves remain. Consequently, the redundant now end up as victims of starvation and violence, homeless beggars, welfare recipients, or residents of refugee camps. Continuing on our present course will almost certainly lead to accelerating social and environmental disintegration.

It is within our means, however, to reclaim the power that we have yielded to the institutions of money and re-create societies that nurture cultural and biological diversity—thus opening vast new opportunities for social, intellectual, and spiritual advancement beyond our present imagination. Millions of people throughout the world are already acting to reclaim this power and to rebuild their communities and heal the earth. These initiatives are being melded into global alliances that form the foundation of a powerful political movement grounded in a global consciousness of the unity of life.

When Corporations Rule the World outlines a citizens' agenda to enhance these efforts by getting corporations out of politics and creating localized economies that empower communities within a system of global cooperation. Having reached the limits of the materialistic vision of the scientific and industrial era ushered in by the Copernican Revolution, we are now on the threshold of an ecological era called into being by an Ecological Revolution

grounded in a more holistic view of the spiritual and material aspects of our nature. This revolution now calls to each of us to reclaim our political power and rediscover our spirituality to create societies that nurture our ability and desire to embrace the joyful experience of living to its fullest.