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CORPORATIONS
RULE THE
WORLD

David C. Korten

20th Anniversary Edition

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When Corporations Rule the World

WHEN
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— 20TH ANNIVERSARY EDITION —

David C. Korten



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When Corporations Rule the World

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*To two great teachers,
Professors Robert North and Willis Harman,
who taught me to question conventional wisdom
and opened my eyes to possibilities that changed my life.*

*To my life partner, Dr. Frances F. Korten, who shares the incredible
journey on a road less traveled.*

and

*To Smitu Kothari,
friend, colleague, and one of India's leading intellectuals,
who advised me that to truly serve the cause of the world's poor,
I should return home to the United States from Asia
and teach my fellow Americans
what I had learned abroad about the source of their poverty.
Heeding his advice, I returned and wrote
When Corporations Rule the World.*

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Those who own the country should govern it.

John Jay, first chief justice of the United States

The arc of the moral universe is long, but it bends towards justice.

Martin Luther King Jr.

The worship of the ancient golden calf has returned in a new and ruthless guise in the idolatry of money and the dictatorship of an impersonal economy lacking a truly human purpose.

Pope Francis, *Apostolic Exhortation Evangelii Gaudium*

In spite of current ads and slogans, the world doesn't change one person at a time. It changes as networks of relationships form among people who share a common cause and vision of what's possible. . . . We don't need to convince large numbers of people to change; instead, we need to connect with kindred spirits.

Margaret Wheatley and Deborah Frieze,

"How Large-Scale Change Really Happens"

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A Choice for Life

Money flows faster. Financial bubbles inflate.
Economists assure us we grow richer.

Electronic gadgets and entertainments distract us.
Real-world families and communities disintegrate.
Earth and democracy die.

Ruled by soulless corporations
that value money more than life,
we get more money, less life.

We face an epic choice:
People power or corporate power;
living communities or corporate colonies;
democracy or corporatocracy;
more life for all or more money for the few.

Humanity awakens to long-forgotten truths.
We are living beings born of and nurtured by a living Earth.
Real wealth is living wealth.
Money is just a number.
We find true happiness in the joy of living and contributing
as members of caring families and communities.

We have the right and the means
to replace a life-destroying suicide economy
ruled by money-seeking corporate robots
with living economies
grounded in the foundational principles
of democracy, real-market economies, and living systems.

Many millions of people are engaging.
They reconnect with one another and the rest of nature.
They rebuild living communities, democracy, and economies
in which people cooperate to make a living
rather than compete to make a killing.

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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

As a young man, I decided I would devote my life to ending world poverty. To that end I spent thirty years of my life as a development worker in Africa, Latin America, and Asia. I saw extraordinary changes in the world—especially in Asia, where I lived from 1978 to 1992.

During my first visit to Asia as a student in 1961, I experienced many cities as dingy and remote. By the time I returned permanently to the United States in 1992 to share with fellow Americans the lessons of my experience, these same cities were sporting luxurious modern airports, superhighways crowded with late-model cars, five-star hotels, gated residential communities, and air-conditioned mega shopping malls stocked with state-of-the-art electronics and elegant designer clothing from all over the world.

Such signs of progress in what we once called underdeveloped countries are now even more pervasive. To those who look no further, development seems to have been a stunning success. Yet look a little deeper, and it is like an elaborate movie set, carefully constructed in the midst of dystopian devastation.

Yes, hundreds of thousands of people are living extremely well, and

millions are enjoying far higher levels of consumption than ever before. But billions have been displaced from the lands on which they once made a modest living to make way for mining operations, oil extraction, dams, agricultural estates, forestry plantations, resorts, golf courses, and myriad other development projects catering to the needs and wants of the few. The many live in squalid slums and struggle to survive as sweatshop workers, migrant agricultural laborers, street vendors, drug dealers, and sex workers.

The trees are gone from once-lush hillsides. Coral reefs once vibrant with life are underwater wastelands. The air is thick with pollutants. Cultures grounded in strong spiritual, family, and community values have given way to materialism and violence.

Politicians and the press display little awareness of life beyond the façade and even less understanding of the root causes of poverty and unemployment, inequality, violent crime, family and community breakdowns, and environmental collapse. Our leaders seem 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.

I find it is often the people who live ordinary lives far removed from the corridors of power who have the clearest perception of what is really happening. Yet they are often reluctant to speak openly 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. They feel 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 struggled for years with the same questions, at first with a similar sense of isolation, now with awareness that many millions of others are asking the same questions. I wrote *When Corporations Rule the World* as part of my own search for answers. A great many readers have told me that reading it opened their eyes and changed their lives. In most instances it helped them see with clarity and confidence what they suspected might be true and gave them the language to discuss it.

Getting the difficult and unpleasant truth on the table for discussion is a necessary first step toward action. Fear of the unknown can immobilize us, especially if we believe we are alone. Knowing we are not alone can help us face an increasingly terrifying reality with courage and empower us to act.

Let me begin by sharing a bit of the journey that led to my writing

When Corporations Rule the World and the decision to present this 20th anniversary edition with this updated prologue, along with an all-new introduction, an all-new conclusion, and an updated epilogue. I hope that this may help you approach this book as you would a conversation with a valued friend.

Roots of the Inquiry

I was born in 1937 into a conservative white upper-middle-class family 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 the communist revolutions I so feared.

In one of those rare, deeply life-changing moments, I made a decision. I would devote my life to countering 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 US 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 adviser to the Nicaragua-based Central American Management Institute (INCAE), a graduate business school catering to the elite business families of 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 adviser with the US Agency for International Development (USAID), the official US foreign aid program.

I share this detail to establish the depth of my conservative establishment roots. The more interesting part of my story, however, has to do with my gradual awakening to a troubling truth: that conventional economic theory and practice is a leading cause of—not the solution to—poverty, exclusion, and environmental system collapse.

Personal Awakening

The Stanford course on modern revolutions awakened me to the reality of global poverty. In 1961, a summer in Indonesia immersed me in 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 encountered.

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 my Latin American experience. Many involved efforts by government, business, and voluntary agencies to improve the conditions of the urban and rural poor. They often carried a disturbing message: Externally imposed “development” was seriously disrupting human relationships and community life—often causing severe hardship for the very people it claimed to benefit.

By contrast, when people found the freedom and self-confidence to take control of their own economic lives, they generally fared far better. 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 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 in the face of economic policies that supported the expropriation of their resource base by those already better off.

When Fran and I left Harvard at the end of 1978 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-reliance.

Through our contact with a great many initiatives in Asia, we experienced the creative energies that people and communities can mobilize on their own behalf with modest support and encouragement from public authorities. 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 “debureaucratize” large centralized public agencies and strengthen the control of local resources by local people. Aware of my writing and lectures on how this is accomplished, USAID invited me to help it apply these lessons to its programming in Asia as its regional adviser on development management based in Jakarta, Indonesia. I focused on this task for eight years, only to conclude that USAID was too big and bureaucratic itself to be effective as a catalyst in helping country development agencies become less bureaucratic.

These experiences left me with a deep conviction that real development cannot be purchased with foreign aid. 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 needs. Yet most development interventions transfer control of local resources to large centralized public bureaucracies that are unaccountable to local people and unresponsive to their needs. The more 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 the local people and communities seeking to make a living using local resources.

I came to see a yawning gap between actions 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 focused on growth and money, it were truly people centered—making people both its purpose and its primary instrument? In 1984, I edited the anthology *People-Centered Development*. In 1986, I edited another anthology, *Community Management*. Both focused on 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.

My next book, *Getting to the 21st Century: Voluntary Action and the Global Agenda*, published in 1990, focused on the threefold human crisis of deepening poverty, environmental destruction, and social disintegration. 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 because the dominant institutions of modern society are creations of a growth-centered development vision, the leadership for change must 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 (now the Living Economies Forum) examined the role of national and global structures and institutions in stripping people and place-based communities of the ability 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.

A Ten-Day Reflection with Asian Colleagues

In November 1992, I traveled to Baguio, a Philippine mountain resort town, to meet with the leaders of several of Asia's leading NGOs. We engaged in a ten-day reflection on the Asian development experience and its implications for NGO strategies. We were concerned that Asia's much-touted economic success was confined to a few relatively small countries and dangerously superficial. Beneath the surface of dynamic competitive economies, we observed a deeper reality of impoverishment and a 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, 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 mainstream economists and explain why human societies have chosen to so disrupt the natural self-organizing processes of living communities.

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 alienation from our inherently spiritual nature. This is reinforced in our daily lives by the increasing alignment of our institutions with the monetary values of the marketplace.

The more dominant that money becomes in our lives, the less sense we have of the spiritual bond that forms the foundation of vital human communities and binds us to the rest of Living Earth's community of life. The pursuit of spiritual fulfillment has been increasingly displaced by an all-consuming and increasingly self-destructive pursuit of money—a human artifact without substance or intrinsic value.

It seemed evident from our analysis that to reestablish a sustainable relationship to a 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. 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—and will likely ever be—the driver of authentic democratic governance. Yet we deepened our personal insights into the practical relevance of these ideas to the crisis that imperils contemporary societies. I wrote *When Corporations Rule the World* to further develop and share these insights more broadly. It was an expression of my commitment to my Asian NGO friends and colleagues to help communicate their concerns and the lessons of their experience to a Northern audience—and in particular to expose the US role in driving the unfolding disaster.