

Cooperatives: Leading Edge of the New Economy

By David Korten

Presentation to Annual Meeting Seattle Central Co-op Owners

All Pilgrims Christian Church

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I'm thrilled to be speaking to you, the owners of Seattle Central Co-op. It is a wonderful privilege to be invited to contribute to your vision for the co-op movement in the Northwest and beyond. I am eager to hear from about your plans for SLICE—Strengthening Local Independent Co-ops Everywhere.

It gives me hope in these depressing times to see the cooperative movement taking itself so seriously in your preparation for 2012, the UN “International Year of Cooperatives.”

Cooperative ownership is an essential foundation of the New Economy we must build together if there is to be a human future. You are on the leading edge of a great human awakening to our potential to transform our economic lives and institutions and bring forth a new human future of environmental health, peace, and justice for all. It's about values, vision, real democracy, real markets, people power—and the restoration of local control and civic life.

The future of the human species turns on the outcome of a current contest between the forces aligned behind two competing economic systems with dramatically different agendas. One is the greed-driven, money-serving corporate-ruled Wall Street Economy. It is in the final stages of suicidal collapse for a clear and simple reason. It measures its success exclusively by the financial profits it generates for the already rich and ignores the broader economic, social, environmental, and political devastation it leaves in its wake. We have tolerated this travesty for far too long.

The other economy is the emerging cooperative, democratic, community-rooted, life-serving New Main Street Economy now being built by ordinary people on the foundation of what remains of our Main Street economies. Real prosperity starts here.

This New Economy is grounded in cooperative principles and measures success by its ability to



secure adequate and meaningful livelihoods for everyone in a balanced relationship to nature. The Wall Street economy and the Main Street economy are in fundamental opposition to one another in terms of purpose, values, and institutional structure.

These differences trace directly to their contrasting ownership models. The Wall Street economy features the absentee ownership of businesses for which short-term financial profit is the sole measure of performance. The Main Street economy features the responsible living ownership of businesses by people who care about the health and vitality of their community and its natural environment.

The Wall Street economy cannot survive. It has already irreparably undermined the very foundation of its own existence. Indeed, it would have already collapsed of its own weight if not for massive public subsidies from the Federal Reserve and the U.S. Treasury—courtesy of U.S. taxpayers. It continues to fail us economically, socially, environmentally, and politically.

The **economic failure** is manifest in the Great Recession brought on by Wall Street financial excesses that have stripped tens of millions of middle class Americans of their jobs, homes, and retirement assets and plunged millions of Americans into poverty and despair. As bad as conditions are for white people, they are far worse for people of color and for young people just entering the labor force. Trillions of dollars in public bailout money have temporarily revived Wall Street, but a broadly based revival for Main Street requires a fundamental restructuring of our economic institutions to shift power Wall Street to Main Street.

It is now abundantly clear to anyone who is paying attention that the leadership in this restructuring is not going to come from the Wall Street–Washington political axis. It must come from we the people, as has every challenge to illegitimate concentrations of power always has and always will.

The Wall Street economy's **social failure** is manifest in extreme and growing inequality that is unraveling America's social fabric. Even before the financial collapse, a tiny minority of executives and financiers experienced soaring incomes and accumulated grand fortunes as wages for working people stagnated despite rising productivity gains.

Poverty has risen to a near thirty-year high. Social mobility has declined, millions lack health insurance, schools are failing, prison populations are swelling, employment security is a thing of the past, and Americans workers put in more hours than workers in any other high income country—at the expense of their health and of family and community life.

The Wall Street economy's **environmental failure**—driven by its addiction to endless, mindless economic growth in consumption—is disrupting Earth's climate patterns, reducing Earth's capacity to support life, and creating large-scale human displacement that further fuels social breakdown.

The Wall Street economy's concentration of wealth and power bears major responsibility for the **failure of our political institutions** by reducing democracy to a weak, shallow, and corrupt charade and stripping government of the capacity to provide effective corrective leadership in dealing with the Wall Street economy's economic, social, and environmental failures.

When I step back and look at the incredible mismatch between the institutions of the Wall Street economy that currently define our priorities as a society, I sometimes wonder whether we humans are victims of some very bad cosmic practical joke.

Imagine with me the Greek Gods on Mount Olympus. They've gathered in council to discuss what to do about those arrogant little humans down on that little planet called Earth.

Hephaestus, the God of metalworking, fire, and building says: "Those humans think they are so damned special. We grant them technologies that give them God like powers, and yet they show us no respect. What are we to do with them?"

Zeus, the ruler of the sky says, "I could just wipe them out with a bolt of lightning." The Gods debate this idea for a bit.

Eventually, Hermes, the god of commerce and cunning, says, "Zeus, that old bolt of lightning thing is too easy and isn't it a bit crude. Let's make it more interesting. Let's set up these humans to destroy themselves. I've got a cool idea. It involves a little illusion."

"I have the power to induce a trance that will make the humans perceive money, which really is nothing but a number, as real wealth, as the measure of individual accomplishment, and of the power and glory of the nation state. This will lure these foolish humans into a fatal competition to see who can acquire the most money by converting the real living wealth of their planet into financial assets that are in fact nothing more than numbers on a computer hard drive.

They will soon be destroying each other and ultimately the natural systems they depend on for food, water, and energy. We will be rid of them—by their own hand. It would be so much more amusing than a simple bolt of lightning."

Most of the Gods applaud.

But Hestia, Goddess of home and hearth protests, “These humans are basically good creatures with remarkable potential. We should not destroy them for our own amusement. Besides, they are much too smart and dedicated to their families and communities to fall for that silly trick. It won’t work.”

Aphrodite, the Goddess of love and beauty says, “I agree with Hestia, surely they will see through the illusion and love will triumph in the end. Let me awaken that love and we will see that they are capable of much good.”

But Ares, the god of war and Hades, God of the underworld, overruled Aphrodite and Hestia. Ares says, “Let Hermes have his fun. It will provoke more war, which will indeed be entertaining.”

Hades adds, “And they will begin the torment of their souls even before they arrive in Hades to suffer eternally for their arrogant stupidity. I love it.”

Hermes induced his trance and unfortunately, it seems we foolish humans fell for it.

But it isn’t over yet. There is good news. Millions of people are waking up from the trance and engaging in rebuilding their local economies and communities based on principles of caring and cooperation. Your vision for the future of the co-op movement in the Puget Sound area puts you at the forefront of this awakening. You could yet prove Aphrodite and Hestia right. The outcome is in our hands.

For more than three decades Wall Street interests have been using their influence over the institutions of the media and academia to induce the equivalent of Hermes’ diabolical trance by advancing a program of ideological indoctrination in market fundamentalism that would have us accept:

- The **myth** that it is our inherent human nature to be individualistic, materialistic, greedy, competitive, and violent.
- The **illusion** that we live on an open frontier of limitless resources that are free for the taking to grow the economy forever and ever.
- The **belief** that money is wealth, money defines the value of life, making money is our highest human calling, and everything related to money is best left to the market.

Have you ever wondered at the insane logic of those who say we have to destroy the environment so we can accumulate enough money—numbers on computer hard drives—to end poverty and save the environment?

These and other claims of market fundamentalists are both false and morally bankrupt—and they are the foundation of a false and morally bankrupt economic theory.

Our reality is on each point the exact opposite of what the market fundamentalists would have us believe:

- First, the human brain is wired to support creativity, cooperation, and life in community. That is the true nature of the morally and psychologically mature human. The prevalence of materialism, greed, competition, and violence common in modern society is a symptom of severe cultural and institutional dysfunction.
- Second, we humans inhabit a wondrous but finite living planet with a self-organizing biosphere—Earth's thin zone of life on which our lives depend. Many scientists have come to think of the biosphere as a living, self-organizing, global-superorganism—that is locally rooted everywhere, with an extraordinary capacity for local adaptation to optimize the sustainable use of nutrients, energy, and water in support of life.

The illusion of an open frontier with limitless resources has led us to commodify the biosphere, mine it for short-term financial gain, and use a nonrenewable fossil fuel subsidy to suppress and control its natural processes. We must now restructure our economies to align and work in integral partnership with the biosphere's structure and dynamics.

Industrial agriculture characterized by soil destroying energy intensive mechanization, monocropping, and toxic chemicals offers a graphic example. At the opposite end of the spectrum, ecological agriculture works with natural processes to minimize energy subsidies and maximize soil health and the nutritional quality and flavor of our food.

- Third, money, unrelated to the creation of anything of real value, is phantom wealth, an accounting chit that has no intrinsic value, indeed no existence outside the human mind. In a mature belief system, life is the true measure of value and money's only legitimate use is in life's service. An obsession with making money is a sign of psychological and social dysfunction. With proper rules, the market is an essential and beneficial partner of an active civil society and democratic governments — each in their appropriate role. Absent proper rules, the market becomes a capitalist weapon of mass destruction.

These are foundational truths underlying the possibilities of the economy we seek to create and they

are the foundation of the economic theory in which we must now educate the American public as part of a program of cooperatives education.

Our effectiveness in this work depends on recognizing the significance of the cooperative model of enterprise organization. I think here of our experience at YES! Magazine. When we founded YES! some 15 years ago, we thought of ourselves as part of a fringe movement dedicated to keeping alive the possibility of a better world based in part on an alternative economy.

It is now 15 years later. The times have changed. The imperative for institutional transformation is increasingly clear to ever more Americans. We at YES! now define our role as being to communicate the powerful ideas and practical actions that are defining a new mainstream in America and the world. It is a major shift and any of you who have followed us over the years have surely noticed how our voice has grown in confidence and power.

I sense that the cooperatives movement is going through a similar transition from perceiving itself as a bit quaint, funky, and peripheral to recognizing its role and potential to define a **new** economic mainstream.

What is happening here at Central Co-op is an expression of that transition.

The economic power of cooperatives is one of the most underreported stories of our time. They are major players in farm supply and marketing, grocery, arts & crafts, healthcare, childcare, housing, transportation, education, financial services, rural electricity, telephone, and water.

Nearly 30,000 U.S. cooperatives operate 73,000 places of business, own more than \$3 trillion in assets, generate nearly \$654 billion in revenue, provide more than 2 million jobs, pay \$75 billion in wages and benefits, and have some 350 million members. Even recognizing the double counting, given that the entire over 18 population of the United States is only 232 million people, we can be confident that a substantial majority of American adults are owner/members of one or more cooperative associations.

This is far from fringe or marginal. Cooperatives are already an important backbone of our Main Street economies. It is time to build public recognition of the significance of the cooperative sector and make it a centerpiece of national economic policy.

As you know, the public hears a whole lot more about the Wall Street economy than about the Main Street economy, let alone the cooperative segment of the Main Street economy. This is more than a

little curious given that a substantial majority of Americans directly own a membership share in a cooperative.

By contrast, only 21% of American households directly own a share of corporate stock. The percentage of households who hold a share of stock either directly or through a mutual fund or retirement account is only 49%. Thus we may conclude that substantially more people have an ownership stake and personal interest in a cooperative than in a Wall Street corporation. We need to build on these simple facts.

The cooperatives movement has enormous potential political clout. It must now mobilize to actualize that potential.

The values and institutions of the Wall Street economy drive it to self-organize toward accelerating economic instability, environmental destruction, concentration of wealth, and political corruption. Our common future depends on displacing the Wall Street Economy with a New Main Street Economy that self-organizes toward three very different outcomes: ecological balance, shared prosperity, and living democracy.

To achieve **Ecological Balance** we must reduce aggregate human consumption to bring our species into balance with Earth's biosphere. To reduce aggregate consumption while meeting the material needs of all the world's people, we must achieve Shared Prosperity through an equitable distribution of Earth's real living wealth, which in turn can be achieved and maintained only through **Living Democracy**, a process of active bottom-up popular economic and political participation that goes far beyond the ballot box. These three outcomes all align perfectly with the foundational principles of the cooperatives movement and the structure of the cooperative enterprise.

The work of creating a New Economy of ecological balance, shared prosperity, and living democracy calls us to declare our independence from Wall Street and engage the practical work of rebuilding our Main Street economies based on a profound transformation of cultural values, institutional power, and ways of living.

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

The relationship between money and life is key. In the old economy, life serves money. In the New Economy, money serves life. We seek to create living economies comprised of living enterprises accountable to living owners that self-organize through living markets to serve living communities. This could serve as the definition of a cooperative economy comprised of cooperative businesses.

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 was originally coined 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. That is the true meaning of capitalism. It is what we have and the consequences are clear.

Capitalism seeks monopoly control of every aspect of daily life to manipulate markets and extract monopoly profits. It then uses its ill-gotten financial gains to circumvent democracy, corrupt the political system, and rewrite the rules to allow Wall Street to capture an ever greater share of the nation's wealth to the exclusion of the people who do the nation's productive work. Far from being the champion of markets and democracy, capitalism—rule by big money—is the mortal enemy of both.

As part of our indoctrination in market fundamentalism, we have been taught to see life as a brutal competitive struggle for food, sex, and survival, perhaps to justify our imperial brutality to one another under Wall Street rule. Although life's competitive elements contribute to its dynamism, competition is only a subtext to the larger story of life's extraordinary capacity for cooperative self-organization.

The secret to life's success is found in the trillions upon trillions of cells, organisms, and communities of organisms engaged in an exquisite dance of continuous exchange with their living neighbors. Each maintains its own identity and health while contributing to the life of the whole. Each balances its own needs with the needs of the larger community. Its dominant underlying dynamic is one of cooperation. It is the key to nature's success. It is essential to real human prosperity.

It seems that life perfected the art and science of cooperative organization and management long before humans came on the scene. Skilled co-op managers are masters of the application of these principles to human organizations. The time has come to expand your reach exponentially. Your knowledge is crucial to the human future.

I would note that we in America were also raised to believe that the only alternative to rule by Wall Street capitalists is to sacrifice our individual liberty to rule by Communist bureaucrats. We are not supposed to notice that in fact the obvious alternative to capitalism is what capitalism promises, but

does not deliver: real democracy and a real market economy, which as described by Adam Smith looks a whole lot more like a local co-op economy than an economy centrally planned and managed by Goldman Sachs, Wal-Mart, and Monsanto.

Real democracy and real markets both depend on people taking control of their lives to create and grow from the bottom up political and economic institutions responsive and accountable to their needs and preferences. They are achieved only by creating a true ownership society in which we each have a direct ownership stake in the enterprises we depend on for our livelihood.

If we humans are to bring ourselves into balance with one another and a living Earth, we must reorganize our human economies to function as locally self-reliant subsystems of our local ecosystems. This requires segmenting the borderless global economy into a planetary system of interlinked, self-reliant bio-regional economies, each rooted in a community of place and organized to optimize the lives of all who live within their borders.

You may at this point be feeling a little overwhelmed. You are likely thinking about the power of Wall Street and its ability to thwart even modest reforms, let alone an economic transformation of the magnitude I've outlined here. If you are not feeling at least a bit overwhelmed maybe you haven't been listening.

Before I turn to outlining the strategy for how we get from our present predicament to the economy we need to create together, it is time to get up and release a little joyful exuberance dancing to our New Economy theme song, "No Wall Too Tall," originally recorded by my troubadour friend and colleague Raffi to celebrate the original launch of *Agenda for a New Economy*. Listen closely to Raffi's inspiring lyrics.

[PLAY RAFFI, "NO WALL TOO TALL" HERE.] GET UP AND DANCE.

It's time to bring down the wall and declare our independence from Wall Street. So here is what's involved.

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. Call that cooperative education. Second, create from the bottom-up, a new economy based on cooperative principles. And third, change the rules of the game to favor community-rooted, environmentally-responsible cooperative enterprises. Let's take each of these elements one at a time.

I give a lot of attention to **changing cultural stories** in my role as board chair of YES! Magazine, because changing the culture's defining stories is central to our YES! mission. We have observed that 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 changed the story about the human relationship to nature. The women's movement changed the story on gender. Economic transformation depends in part on changing the prevailing stories about the nature of wealth, the purpose of the economy, our human nature, and the rights and responsibilities of ownership.

Central Co-op is a living expression of the cooperative ideal and its potential. Live your work accordingly to serve as messengers of the good news that we don't have to sacrifice our lives to Wall Street greed. In so doing you raise awareness of the nature and potential of enterprise organized on the basis of cooperative principles.

By creating an ever expanding circle of cooperative enterprises, you contribute to creating a new economic reality that gives others new options as to where they work, shop, and invest—thus allowing them to declare their independence from Wall Street and gain control of their economic lives.

The large goal is to create a global system of human-scale, interconnected Local Living Economies that function in partnership with local ecosystems, meet the basic needs of all people, support just and democratic societies, and foster joyful community life.

The larger work includes reorienting land-use patterns and transportation systems by concentrating population in walkable, energy-efficient, multi-strata communities that reduce auto dependence; retrofit buildings for energy efficiency; and rebuild local productive capacities based on closed-loop production and consumption systems that reduce long-distance shipping, eliminate waste, increase energy efficiency and build local self-reliance in the production of food, energy, and other basic essentials.

As we live the New Economy into being, we change the prevailing economic story in a very material way, while simultaneously creating a political base to support the third element of the strategy, **changing the rules of the economic game.**

Current law and public policy at local, national, and global levels consistently favor Wall Street over Main Street. Changing the rules to favor Main Street in general, and cooperative enterprises in particular, will require effective political mobilization, a process to which cooperative businesses potentially contribute important moral authority and capacity for voter mobilization.

Seattle is a nearly ideal base from which to launch the Northwest bio-regional cooperative worker ownership economy initiative envisioned by your newly formed SLICE initiative. Few places in the United States have a comparable mix of strong potential partners in place. One can quickly identify them in nearly all the important bio-regional economy sectors: Local food, renewable energy, green building, recycling and reuse, Green zero-waste regional manufacturing, communication, community finance, independent retail, local culture and local transportation.

The Seattle City Council has passed resolutions committing the city to food and energy self-reliance and zero waste. These resolutions establish a strong framework for building networks of cooperative enterprises in food, energy, recycling, and green building. Portland and Vancouver, BC, two other major Northwest cities, are similarly aligned.

The Business Alliance for Local Living Economies (BALLE) is North America's leading and fastest growing network of locally-owned socially responsible businesses. It is headquartered in Bellingham, just an hour and a half away. The Seattle Good Business Network is one of BALLE's leading local networks and is an enthusiastic advocate of cooperative ownership.

Seattle is home to the Cascadia Green Building Council and the International Living Future Institute, which are pioneering living buildings and living communities as the leading edge of the global green building movement.

The Seattle Church Council and the Seattle interfaith community are developing a variety of New Economy education initiatives that could easily and logically incorporate cooperative ownership modules. The Bainbridge Graduate Institute is the world's pioneering green business school and could be an important partner in recruiting and training co-op managers.

YES! Magazine located on Bainbridge Island is the leading national media organization tracking New Economy initiatives around the world. Be sure to pick up a copy of our most recent issue on New Livelihoods: How We're Building the Do-It-Ourselves Economy. And sign up for our e-mail newsletter. I'm sure each of you could name many more prospective local partners.

A food co-op seems a nearly ideal base from which to encourage and support a cooperative food infrastructure of family farms and worker owned input supply, processing, transportation, and financial infrastructure.

SLICE is looking into the possibility of creating a regional cooperative development fund, essentially a cooperative bank devoted to funding the development of cooperative businesses. It might be modeled on Cleveland's Cooperative Development Fund, which supports a number of successful worker-owned cooperative enterprises in Cleveland.

In the 1930s unemployed workers in Southern California organized the Unemployed Cooperative Relief Organization that grew into a complex of 45 units. It was based on cooperative principles and served 150,000 people with a large warehouse, a distribution center, a gas and service station, a refrigeration facility, a sewing shop, a shoe shop, and medical services.

Consider the possibilities if the unemployed people in the Puget Sound bio-region, many with significant managerial and technical skills, were provided with the inspiration and support required to put their skills to work building the local enterprises of a cooperative bio-regional economy.

Creating 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 is an epic, even audacious undertaking.

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

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