24 Agenda for Change

A political community cannot be healthy if it cannot exercise a significant measure of control over its economic life.

—*Herman Daly and John Cobb Jr.*[1]

I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel—these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and above all, let finance be primarily national.

—*John Maynard Keynes*[2]

There are few rights more fundamental than the right of people to create caring, sustainable communities and to control their own resources, economies, and means of livelihood. These rights in turn depend on their right to choose what cultural values they will embrace, what values their children will be taught, and with whom they will trade. A globalized economy denies these rights by transferring the power to make the relevant choices to global corporations and financial institutions. Economic globalization is in the corporate interest. It is not in the human interest. Who holds the power to decide is a pivotal issue in the Ecological Revolution.

The guiding principles of the Ecological Revolution are actively pro-business and pro-market, but they favor local over global businesses and markets. They recognize the importance of local businesses that provide employment to local people, pay local taxes to maintain local infrastructure and social services, meet local social and environmental standards, participate in the community, and compete fairly with similar businesses in markets that have no dominant players. If a global corporation wishes to make the case that it can offer local people what local enterprise cannot, it should be up to local people to judge the substance of its argument. If defending democracy, human values, and livelihoods is protectionism, then let us all proudly proclaim ourselves to be protectionists.

This chapter deals with specific measures to transform governance to reclaim our colonized political and economic spaces and restore the rights of people. The aim is to limit the power and freedom of the largest corporations in order to restore democracy and the rights and freedoms of people and communities. This requires more than simple reforms.

Reclaiming Our Political Spaces

Political rights belong to people, not to artificial legal entities. As instruments of public policy, corporations should obey the laws decided by the citizenry, not write those laws. Corporations' claim to the same constitutional rights as natural born persons is a gross distortion of the concept of rights. Particularly pernicious is the corporate claim to the First Amendment protection of the right of free speech, on which corporations base their right to lobby and carry out public campaigns on political issues. As Paul Hawken observes, by invoking this right, "corporations achieve precisely what the Bill of Rights was intended to prevent: domination of public thought and discourse."[3]

We must give high priority to legislative and judicial action aimed at establishing the legal principle that corporations are public bodies created to serve public needs and have only those privileges specifically extended to them by their charters or in law. These privileges are properly subject to withdrawal or revision at any time through popular referendum or legislative action. If a corporation persistently seeks to exceed the privileges granted by its charter—such as knowingly selling defective products—or fails to honor its obligations under the law—such as consistently violating laws regarding toxic dumping—it is the right and responsibility of citizens, acting through their government, to disband it. It is no different from their right to abolish any public body that in their judgment no longer serves the public interest or to incarcerate—and even execute—individuals who willfully break the law and cause harm to others.[4]

Shareholders, managers, employees, consumers, and others have every right in their capacity as private citizens to express their political views for or against the corporate interest. They also have the right to form

and fund not-for-profit organizations for the purpose of advancing any cause they choose to support in their private capacities using their personal funds. Corporations have no such natural right. They simply do not belong in people's political spaces.

A first step toward removing corporations from the political sphere would be to eliminate all tax exemptions for corporate expenditures related to lobbying, public "education," public charities, or political organizations of any kind. The ultimate goal, however, should be a flat prohibition on for-profit corporations' involvement in any activity intended to influence the political process or to "educate" the public on issues of policy or the public interest. Furthermore, corporate officers should be prohibited by law from acting in their corporate capacities to solicit political contributions or political advocacy efforts from employees, suppliers, or customers.

Corporations' increasingly aggressive use of not-for-profit organizations as fictitious citizen fronts for corporate political lobbying highlights how thin the line is that separates corporate involvement in public education and charitable giving from overt involvement in politics. Even corporate giving to true public charities and the arts has become increasingly suspect. For example, when New York City proposed a sweeping smoking ban in public places in the fall of 1994, the Philip Morris Corporation made known to the many arts organizations it had funded in the city that it expected their support in opposing the ban.

It is only natural that for-profit corporations would align their charitable giving with their own interests. There is little other basis on which they can justify allocating shareholder profits for charitable purposes. If corporations truly care about the communities in which they reside, then let them provide good, secure jobs and safe products, maintain a clean environment, obey the law, and pay their taxes. Let their managers, shareholders, and employees contribute to charitable and educational causes of their choice from their share of the distributed wages, salaries, and profits of the corporation.

Similarly, any nonprofit organization in which 50 percent or more of the trustees are senior officers of corporations with more than $1 billion in total assets should be ineligible for tax-exempt status on the presumption that it is a front organization operated to advance the corporate interest. When nonprofit organizations with corporate boards raise public monies, issue public statements, or make presentations to public bodies, they should be required to identify themselves as such.

Removing corporations from political participation is an essential step toward reclaiming our political spaces. It is not, however, sufficient.

New York Times columnist Russell Baker all too accurately described the 1994 U.S. congressional elections as an auction, more of a bidding war to outspend opponents on negative campaign ads than a contest of vision, issues, and competence.[5] It was part of the trend that has left American voters increasingly disillusioned with democracy and outraged at a government controlled by big-money interests.

If democracy is to survive, reforms must not only get corporations out of politics but also limit the power of big money to influence the voting behavior of ordinary citizens. The ability to spend millions of dollars to saturate the electronic media, especially television, with negative messages about one's opponent has become a key to winning elections. So long as winning an election is excessively expensive and the only sources of adequate funding are powerful financial interests, policy will favor financial interests over the public interest. Setting term limits or voting incumbents out of office will accomplish very little. Three deep and sweeping campaign reforms are necessary.

1. Political advertising on television should be prohibited. It is enormously expensive, often misleading, and rarely informative. Its elimination would dramatically reduce the cost of running a successful campaign and the consequent dependence on special-interest funding. This might improve the quality of the public debate as well.
2. Total campaign expenditures should be limited. Let candidates concentrate on competing to get their messages out as effectively as possible within a set spending limit. It is a better measure of their ability to spend public funds responsibly.
3. Campaign costs should be covered by a combination of public funding and small individual tax-deductible contributions. Political action committees should be abolished, and corporations should be prohibited from making any kind of political contribution or using corporate resources to favor any candidate in a political campaign.

In return for their right to use public airways, television and radio stations should be required to provide exposure for candidates for public office on issues-oriented interview programs and debates on an equal-time basis. Print media might be provided with incentives to give space to substantive issues-oriented articles and op-ed pieces by political candidates on an equal-space basis. Informing the public regarding the views and qualifications of candidates for office is one of the most basic responsibilities of the news media in a democracy, and they should be held accountable for fulfilling it.

With their dominance of the mass media and their growing penetration of the classroom, corporations increasingly control and shape our primary institutions of cultural reproduction, constantly reinforcing the values of consumerism and the basic doctrines of corporate libertarianism—to align mainstream culture with the corporate interest. To reclaim our colonized political spaces, we must reclaim our colonized cultural spaces. Three measures require serious consideration:

1. *Antitrust legislation.* Special antitrust legislation for the media should establish that it is prima facie evidence of monopolistic intent for a single corporation to own more than one major public media outlet, whether it be a newspaper, radio station, TV station, or home cable service. Furthermore the operation of a media outlet should be the primary business of the corporation that owns it. This would ensure that the outlet is not used primarily as a means to advance other corporate interests. No individual should be allowed to have a majority holding in more than one such media corporation. This would enhance the free-speech rights of the public by limiting the ability of a few powerful individuals and corporations to dominate access to the major means of public communication.
2. *Advertising.* In classical market economics, the role of business is to respond to market demand, not create it. Tax deductions for advertising provide a public subsidy for hundreds of billions of dollars a year in corporate advertising aimed at enticing people to buy things that they neither want nor need and creating a consumer culture that is alien to the needs of healthy societies. Advertising, other than purely informative advertising based on verifiable facts, is not in the public interest. Ideally, it should be prohibited. At a minimum, it should not be deductible as an expense and should be taxed at a rate of at least 50 percent. A portion of the proceeds of such a tax should be used to finance consumer education on healthy, satisfying, and sustainable lifestyles. "Product placements" or brand-name plugs in movies and videos should be prohibited. Radio and TV might be partially funded by tax revenues on a matching basis with user subscriptions or contributions. Product information might be provided on a user-fee basis through product directories, including on-demand directories that are accessible through computer services and interactive TV.

3. *Schools.* Schools should be declared advertising-free zones, administration of public schools should remain a public-sector function, and corporate-sponsored teaching modules should be banned from classroom use under the ban on in-school advertising.

Reclaiming our political spaces goes hand in hand with reclaiming our economic spaces.

Reclaiming Our Economic Spaces

The theories of both capitalism and communism acknowledge a basic truth expressed by the popular aphorism, "He who has the gold rules." Communist theory explicitly calls for worker ownership of the means of production. Adam Smith implicitly made the same assumption in his vision of an ideal market economy comprising small farmers and artisans—a circumstance in which owner, manager, and worker are commonly one and the same. Both communism and capitalism have failed to live up to their ideal in practice. Communism vested property rights in a distant state and denied the people any means of holding the state accountable for its exercise of those rights. Capitalism persistently transfers property rights to giant corporations and financial institutions that are largely unaccountable even to their owners.

There is an important structural alternative: a market economy composed primarily, though not exclusively, of family enterprises, small-scale co-ops, worker-owned firms, and neighborhood and municipal corporations. Malaysian consumer activist Bishan Singh calls it the community enterprise economy, as it melds the market forces of the money economy with the community forces of the social economy.[6] Historian and political economist Gar Alperovitz argues that just such a major restructuring of the American economy is already under way:

> [led] . . . by civic-minded entrepreneurs, innovative labor unions and effective local governments. . . . The number of firms now experimenting with worker-ownership approaches 10,000, involving perhaps 12 million people—more than the entire membership of private-sector trade unions. There are also more than 30,000 co-ops, including 4,000 consumer goods co-ops, 13,000 credit unions, nearly 100 cooperative banks and more than 100 cooperative insurance companies. Add to this 1,200 rural utilities and nearly 5,000 housing co-ops, plus another 115 telecommunication and cable co-ops.[7]

A common element of these innovations is that they establish local control of productive assets through institutions that are anchored in and accountable to the community.[8] This tends to make capital patient and rooted, an essential condition of stable, healthy communities. Such initiatives are thus of vital importance in building the foundations of healthy societies, but they are seriously disadvantaged by economic policies and institutions that favor the large, the global, and the predatory. Reclaiming our economic spaces requires that we transform such policies and institutions to shift the advantage in favor of the small and the locally accountable. To do so, we will need to restore the integrity and proper function of our financial institutions and systems, shift the social and environmental costs of production to producers and the users of their products, eliminate subsidies to big business, localize markets, deconcentrate capital ownership, establish corporate accountability, and restore market competition. The term *transform* is used advisedly. If these measures seem to run counter to the current trend toward the big and the global, that is precisely the intent.

0.5 Percent Financial Transactions Tax. A small tax on the purchase and sale of financial instruments such as stocks, bonds, foreign currencies, and derivatives would discourage very short-term speculation and arbitraging and remove an important source of unearned financial profit.

Graduated Surtax on Short-Term Capital Gains. A capital gains surtax would make many forms of speculation unprofitable, stabilize financial markets, and lengthen investment perspectives without penalizing long-term productive investment. The surtax on the sale of an asset held less than a week might be as high as 80 percent, falling to 50 percent on gains from assets held more than a week but less than six months, 35 percent on those held for more than six months but less than three years, and 10 percent on assets held more than three years.[9] This tax might be phased in over a period of several years. It should be additional to any other applicable taxes on income and should be applied to gains retained by financial institutions and investment funds as well as to those passed directly to individual investors. This surtax would have the effect of giving preferential treatment to income earned through productive work compared with the returns from simply holding money.

100 Percent Reserve Requirement on Demand Deposits. As far back as 1948, Henry C. Simmon, founder of the conservative University of Chicago school of economic monetarism, argued for a 100 percent reserve requirement on demand deposits to limit the ability of banks to create money and to give government greater control of the money supply. Many economists have since called for a similar measure.[10] The reserve requirement in the United States currently averages less than

10 percent. Phased in over several years to allow the financial system to adjust, this action would deflate the borrowing pyramid and help restore the connection between the creation of money and the creation of wealth.

Tight Regulation of Financial Derivatives. Many forms of derivatives are basically high-risk gambling instruments that serve primarily to generate fees for the investment houses that package and sell them. Like any other form of gambling, their creation, sale, and purchase should be tightly regulated and heavily taxed. Pension funds and other funds managed as public trusts should be strictly prohibited from trading in instruments so classified and from investing in companies that do. All publicly held corporations that engage in derivatives trading should be required to include a full report each quarter on their derivatives trading activities, report their potential financial exposure on such instruments, and reveal the proportion of their trading that consists of gambling-grade derivatives.

Preferential Treatment of Community Banks. The U.S. banking system was once made up of unitary or community banks that collected local savings deposits, made loans to local businesses, and financed mortgages to expand local home ownership. Successive changes in banking regulations have allowed the former community banks to be colonized by gigantic money-center banks that channel local deposits into the global money system. If the banking system is to serve local economies, the system of community banks must be restored by requiring money-center banks to divest their branches and by tightening community investment laws to require that a substantial majority of the investment portfolio of any bank covered by federal deposit insurance be invested within its service area and that all its investments meet federally mandated standards. The large, global money-center banks that wish to speculate with their depositors' money in risky investments around the world should not enjoy the advantage of federal insurance protection.[11]

Rigorous Enforcement of Antitrust Laws. Vigorous legal action should be taken to break up concentrations of corporate power. Buyout and merger proposals should be subject to intensive and skeptical governmental review, with the burden of proof resting on the proposing party to show that it will advance the human, in contrast to the corporate, interest.

Worker and Community Buyout Options. In most instances, the human interest is best served by patient and rooted capital. To this end, worker and community buyouts of corporate assets should be supported by public policy. For example, before a major corporation is allowed to close a plant or undertake a sale or merger, the affected workers and community should have a legal right of first option to buy out the

assets on preferential terms. The terms should reflect the workers' years of personal investment of their labor in the company and the collective investment of the local community in public facilities that have made its local operations possible. In most businesses, there are many investors in addition to the formal shareholders, and this investment should be recognized in the law. Bankruptcy rules should be structured similarly to give employees and communities the option of taking possession, on preferential terms, of the assets of a corporation that has been restructured under bankruptcy proceedings. Similarly, when a company is required to divest parts of its operation under antitrust laws, employees or the community or both should have first option to buy the divested units. Rules governing company pension funds might allow their use by employees to purchase voting control of their firm's assets. Government oversight should ensure that worker and community buyouts are structured so that workers and communities have real control.

Tax Shifting. One of the most basic, but often violated, principles of tax policy is that taxes should be assessed against those activities that contribute to social and environmental dysfunction. Therefore, corporate tax law should be revised to shift taxes from things that benefit society, such as employment—including employer contributions to social security, health care, workers' compensation—in favor of taxing activities that contribute to social and environmental dysfunction, such as resource extraction, packaging, pollution, imports, corporate lobbying, and advertising. Such taxes would cascade up through the system and discourage the use of socially and environmentally harmful products. For example, a tax at the source on coal, oil, gas, and nuclear energy would increase end-user prices and encourage conservation and conversion to solar energy sources, such as solar heating, wind, hydro, photovoltaic, and biomass. Resulting increases in transportation costs would provide a nondiscriminatory natural tariff to encourage the localization of markets. The added cost of automobile commuting would encourage investment in public transit and locating closer to one's work. A tax on pollution emissions would encourage pollution control. A tax on the extraction of virgin materials would encourage conversion to less polluting, less materials-intensive product designs and modes of production and a greater reliance on recycled materials. Assessing manufacturers an amount sufficient to cover estimated disposal costs of their product packaging would discourage unnecessary packaging. Import tariffs would support a strong self-reliant economy.

Annual Profit Payout. Corporate income taxes should be eliminated simultaneously with the introduction of a requirement that corporations pay out their profits each year to their shareholders. Profits would thus be taxed as shareholder income at the shareholder's normal marginal rate. Depreciation would be adjusted for current replacement prices to allow sufficient retention of earnings to cover capital replacement. Research might be expensed in the current year. The double taxation of corporate profits—once to the corporation and once to the shareholder—would be eliminated, along with the deferral of shareholder taxes and the many distortions that the corporate income tax introduces into corporate decision making. If this were carried out universally, corporations would have no incentive to shift profits around the world to the jurisdiction with the lowest tax rate. Interest payments on debt financing would come directly out of profits rather than out of taxes, thus discouraging the use of debt and encouraging greater reliance on equity financing. Many leveraged buyouts that depend on the tax deductability of interest to make them profitable would be discouraged. Corporations would be taxed on specific activities that it is in society's interest to limit—such as the use of carbon fuels, resource extraction, and speculative financial transactions. Such taxes would be difficult to avoid. Corporate expansion would also become more difficult—a step toward keeping markets more competitive—because a company would not be able to grow simply as a consequence of a management decision to reinvest its profits rather than paying them out to shareholders. If a corporation wanted funds to expand, it would need to raise new money in the financial markets and make its case accordingly. Shareholders could, of course, be given the option of rolling over their dividends into additional stock, much like the current U.S. procedure on the taxation of earnings from mutual funds.

Corporate Subsidies. Welfare reform should give top priority to getting dependent corporations off the welfare rolls. Corporate subsidies range from resource depletion allowances to subsidized grazing fees, export subsidies, and tax abatements. Such subsidies should be systematically identified and eliminated, with the possible exception of those needed to establish and nurture locally owned, community-based enterprises.

Intellectual Property. Information is the only resource we have that is nondepletable and can be freely shared without depriving anyone of its use. Every contemporary human invention necessarily builds on the common heritage of human knowledge accumulated over thousands of years and countless generations. This is the information commons of the species. The justifiable purpose of intellectual property right protection is to provide incentives for research and creative contribution, not to create protected information monopolies. Laws relating to intellectual property rights should be reformed to conform to this principle. Such rights should be defined and interpreted narrowly and granted only for the minimum period of time necessary to allow those who have invested in for-profit research to recover their costs and a reasonable profit. The patenting of life-forms or genetic processes, discoveries funded with public monies, or processes or technologies that give the holder effective monopoly control over a type of research or class of products should be precluded by law. As with any common heritage resource, when there is a conflict between an exclusive private interest and a community interest, the community interest should prevail.

As business is localized, it will be possible to localize government as well. As Paul Hawken notes, it is the unwillingness of big business to accept the essential role of governmental regulation that creates the need for big government. Similarly, it is the interference of big business in governance that renders government ineffective. Hawken describes the dynamic:

> Business assumes the role of guardianship vis-à-vis the ecosystem and fails miserably in the task; governance steps in to try to mitigate the damage; business tries to sabotage this regulatory process and nimbly sidesteps those regulations that *are* put on the books; governance ups the ante and thereby becomes a hydra-headed bureaucratic monster choking off economic development while squandering money; business decries "interference in the marketplace" and sets out to redress its grievances by further corrupting the legislative and regulatory process in an attempt to become *de facto* guardian, if not *de jure*.[12]

The bigger our corporations, the greater their power to externalize costs and the greater the need for big government to protect the public interest and to clean up the consequent social and environmental messes. The more we cut our giant corporations down to human scale, the more we will be able to reduce the size of big government.

Addressing extreme inequality in the distribution of economic power is also important to decolonizing economic spaces. As our current experience shows, justice and sustainability are virtually impossible to achieve in an unequal world. Extreme inequality enables the economically powerful to colonize the environmental resources of the weak and thus consume beyond their environmental means. This commonly deprives the economically weak of their basic means of livelihood and delinks the economically strong from the environmental consequences of their actions. The excluded poor respond to their resulting insecurity by having many children—the one thing they can call their own and their only prospective source of care in their hour of need. As the rich expand their consumption and the poor produce more children, the human burden on the planet grows.

A more equitable and secure society limits individual opportunities for overconsumption and reduces the incentive to seek security through having large families. Additional measures toward creating more secure and equitable societies include the following:

Guaranteed Income. An idea long popular with both conservative and progressive economists, a guaranteed income merits serious consideration. It involves guaranteeing every person an income adequate to meet his or her basic needs. The amount would be lower for children than for adults but would be unaffected by a person's other income, wealth, work, gender, or marital status. It would replace social security and existing welfare programs. Since earned income would not reduce the guaranteed payment, there would be little disincentive to work for pay. Indeed, if some people chose not to work at all, this should not be considered a serious problem in labor-surplus societies. Although some wages would no doubt fall, employers might have to pay more to attract workers to unpleasant, menial tasks.[13] It would allow greater scope for those who wish to do unpaid work in the social economy. Such a scheme would be expensive but could be supported in most high-income countries by steep cuts in military spending, corporate subsidies, and existing entitlement programs and by tax increases on upper incomes, luxuries, and the things a sustainable society seeks to discourage. Combined with an adequate program of universal publicly funded health insurance and merit-based public fellowships for higher education, a guaranteed income would greatly increase the personal financial security afforded by more modest incomes. In low-income countries, agrarian reform and other efforts to achieve equitable access to productive natural resources for livelihood production might appropriately substitute for a guaranteed income.

Progressive Income and Consumption Taxes. Taxes on incomes up to the level required to meet basic needs in a comfortable, satisfying, and responsible way should be eliminated, as should sales or value-added taxes on basic food, clothing, shelter, health, personal hygiene, educational, and entertainment or recreational expenditures needed to sustain good living. There should likewise be a sharply graduated tax on incomes above the guaranteed minimum–going as high as 90 percent on top income brackets. Inheritance or trust income should be taxed the same as any other personal income. This would greatly reduce incentives for individuals to seek excessive incomes yet should not discourage anyone from doing socially useful work. Any job that is so distasteful that qualified applicants cannot be attracted for a reasonable compensation of, say, no more than fifteen times the guaranteed

minimum income should be restructured to make it more acceptable. If the problem is that a corporation is too big, then it should be broken up. We would simply learn to do without the services of those who require a greater inducement than this to do socially useful work in an effective and efficient manner. There should be a substantial luxury tax on nonessential consumption items that are socially harmful or environmentally wasteful or destructive. Personal charitable contributions, including to family foundations, should be fully tax exempt, thus providing a substantial incentive for individuals with excess incomes to support a strong independent sector as a counter to the power of the state.

Equitable Allocation of Paid Employment. Access to opportunities for paid employment should also be allocated as fairly as possible through measures to reduce the workweek and assure equal employment opportunity regardless of gender, race, or other extraneous considerations.

Such measures must all be phased in over time and adjusted to reflect experience. The idea here is not to provide a prescriptive blueprint but rather to illustrate the kinds of policies that would lead us toward healthier societies. Different approaches will surely be appropriate in different settings, and the administration and funding of such initiatives should be undertaken by the smallest and most local governance units possible. For example, in predominantly agrarian societies with equitable land distribution, a very small guaranteed minimum income might be adequate. The same might be true in stable egalitarian societies in which there are ample employment opportunities for all who wish to work. A guaranteed income is probably most necessary to correct imbalances in societies such as the United States, where there is extreme inequality and a job market in which jobs paying an adequate wage to maintain a decent living have become increasingly scarce.

If we are to manage our economic spaces in the human interest, we will need appropriate accounting tools suited to this purpose. Sixto Roxas, an economist and former international bank executive from the Philippines, explains that conventional national income accounts do not meet this need, because they measure the costs and benefits of economic activity from the standpoint of the firm, not the community. The differences are fundamental. For example, the firm profits by employing the least possible number of workers at the lowest possible wage. The community profits by having its members fully employed at the highest possible wage. The firm may profit by depleting a local forest or mineral resource, while the community is left devastated.

Roxas and his colleagues are developing a community-based accounting system that assesses economic costs and benefits in terms of their consequences for the health of households, communities, and ecosystems.[14] They also record how much of the value generated from local economic activity remains in the community and how much flows out. Thus, if local forests are being clear-cut and the timber and profits are being exported while the community is left with a barren landscape, this shows up as a net loss rather than the net gain recorded by conventional economic accounting. Significant attention is needed to developing and applying such systems as economic management tools.

Localizing the Global System

As we work at the national and subnational levels to reclaim our local political and economic spaces, we must also transform the global system to create a bias toward the local. This does not mean that global institutions will or can be eliminated. Although we can reduce environmental, technological, and economic interdependence, we cannot eliminate it, nor would we want to. Such interdependence is the foundation of the emerging global consciousness that is essential to both our collective survival and our evolutionary potential as a species. Our goal should be to create a multilevel system of institutions through which we can reduce *unnecessary* interdependence and manage the remaining interdependence in ways that maintain a persistent bias in favor of:

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

A principal mandate of the global and regional institutions in this multilevel system should be to support and protect the efforts of localities to set their own rules of economic engagement, to give preference to local producers using local resources to meet local needs, and to resist the external colonization of their markets and resources. Suggested measures at the global level to create this bias in favor of the human interest include the following:

International Debt Reduction for Low-Income Countries. The poor of low-income countries must be released from the national debt bondage that leaves them defenseless against the colonization of their economies and resources by the global system. This should begin with an orderly process of repudiating, under precedents already established in international law, "odious" debts that were incurred through *ultra vires* contracts (made by a person without proper authority) or used for purposes that were not beneficial to the people of the territory on whose behalf the obligations were incurred. Much of the outstanding international debt of low-income countries could be classified as odious under these principles—including a substantial portion of the debt owed to the multilateral banks.[15] An international convention should be established under which governments of indebted low-income countries can declare such public international debts uncollectible, with the sanction and support of an appropriate international body. In addition, an international fund should be created, as suggested below, to write off the remaining debts in return for agreements that would preclude governments from re-creating them. Most of the private banks with Southern debt exposure have created loan loss reserves to cover nonrepayment. Although they maintain the debts on their books and continue to demand that Southern countries repay them, the banks would not be consequentially harmed, and perhaps would be usefully disciplined, if the debts were not repaid. Repudiation of World Bank and other multilateral bank loans would force these banks to call their governmental guarantees to cover their debts and create pressure to close them—an action recommended below.

International Financial Transactions Tax. A 0.5 percent tax should be collected on all spot transactions in foreign exchange, including foreign exchange deliveries pursuant to futures contracts and options, as proposed by James Tobin, winner of the 1981 Nobel Prize for economics.[16] The 0.5 percent "Tobin" tax on foreign exchange transactions would help dampen speculative international financial movements but would be too small to deter commodity trade or serious international investment commitments. It would increase the weight given by market participants to the long term and give greater autonomy to individual countries in setting domestic monetary policies. The priority for applying the proceeds from this tax should be to establish a debt repayment fund to retire those international debts of low-income countries that cannot be repudiated under legal precedents relating to odious debt. A second use of this tax should be to finance the operations of the United Nations and its specialized agencies.

Regulation of Transnational Trade and Investment. International agreements are needed regarding trade and the standards of conduct for transnational corporations to guarantee the right of countries and localities to manage their external trade relations and to set the rules and standards for businesses operating in their jurisdictions.[17] These agreements should include provision for coordinating antitrust action among participating nations to break up large transnational corporations and take such other actions as required to ensure the competitiveness of international markets. These agreements should also ensure the right of each country and people to set their own rules regarding intellectual property rights within their own jurisdictions, while limiting the ability of any corporation or country to monopolize and withhold beneficial information and technology from other people who might benefit from its use. These agreements should adhere to the basic principle that when transnational corporations participate in a local economy they come only as invited guests, not as occupying forces, and are expected to honor local rules and customs.

Environmental Resources Monitoring. One of the most difficult challenges of balancing economic needs with environmental limits is to make it difficult for localities to colonize the environmental spaces of others, either through cross-boundary discharge of environmental pollutants or through trade. There is an urgent need to develop environmental information systems that make such shifting of environmental burdens visible and thus encourage environmental self-reliance. With an appropriate strengthening of mandate and technical capacities, the United Nations Environmental Programme (UNEP) might coordinate the development and use of appropriate statistical and accounting methods and the negotiation of international agreements on standards, monitoring, and dispute adjudication relating to regional and national cost internalization. Use of such monitoring capacities should be largely decentralized, with each locality, district, nation, and region maintaining its own accounts. When disputes regarding the shifting of environmental burdens cannot be resolved directly through bilateral negotiations, they should be settled through submission to the appropriate judicial bodies, including the International Court of Justice, for adjudication.

Specific attention will be required to restructure the system of global economic governance—in particular the Bretton Woods institutions. It is unworkable to have the functions of global governance divided among a number of independent global agencies with overlapping jurisdictions and conflicting mandates. Under the current arrangement, responsibility for dealing with global finance rests with the International Monetary Fund (IMF). Responsibility for setting and enforcing the rules of international trade and investment is assigned to the World Trade Organization (WTO). The dominant institution in setting development priorities in low-income countries is the World Bank. All three of the Bretton Woods institutions consistently give priority to the corporate interest over the human interest. Responsibility for the coordination of international economic, social, cultural, educational, health, and related matters rests with the Economic and Social Council of the United Nations, which leans more toward the human interest. Although the Bretton Woods institutions are designated specialized agencies of the United Nations, they are far more important and powerful than the other specialized UN agencies and reject any UN effort to coordinate or oversee their activities.

It is time to dismantle the Bretton Woods institutions and consolidate the functions of economic governance under bodies that are fully accountable to the United Nations. Whereas the mandates of the Bretton Woods institutions were to advance economic *globalization*, their successor agencies should be given mandates to advance economic *localization* by carrying out the activities recommended above. The internal governance processes of the successor agencies should be publicly transparent and open to participation by both governmental and citizen oversight organizations.

The World Bank. The World Bank should be closed. Its major function is to make loans to poor countries, which necessarily increases their international indebtedness. So long as the Bank remains in business, Southern economies will remain indebted to the international system. Creating indebtedness is not a useful function, and it is time to acknowledge that the World Bank was a bad idea. Closing it is an essential step toward assuring that as international debts are eliminated, they are not instantly re-created. The same is true of the regional multilateral development banks, which should be closed as well. Once freed from the corrupting influence of debt dependence and the dictates of the multilateral banks, low-income countries will be in a far better position to undertake people-centered structural reforms aimed at decolonizing their economies and moving toward greater self-reliance, environmental sustainability, and economic justice.

The International Monetary Fund (IMF). The IMF might be replaced by a United Nations International Finance Organization (UNIFO) responsible for (1) managing the process of repudiating and writing off the international debts of low-income countries; (2) regulating international financial markets; (3) providing a forum within which governments can coordinate policies aimed at keeping their foreign accounts in balance; (4) coordinating measures to establish enforceable reserve requirements for the lending of quasi-international currencies, such as Eurodollars, in instances when they are not presently regulated by national governments; and (5) collecting and administering the Tobin tax on foreign exchange transactions.

The World Trade Organization (WTO). The WTO should be replaced by a UN Regulatory Agency for Transnational Trade and Investment (UNRATTI). The prime mandate of UNRATTI should be to facilitate the negotiation of agreements relating to the regulation of transnational corporations and trade and to serve as a coordinating forum for governmental actions aimed at enforcing them. The performance of UNRATTI should be assessed in terms of progress toward increased local economic self-reliance and global equity. Transnational corporations should be barred from participating on national delegations to UNRATTI or from making other representations to it, except when they are specifically requested to provide information. In function and purpose, UNRATTI should be nearly the mirror opposite of the GATT–WTO.

Corporate libertarians will doubtless point out that the measures suggested here will significantly interfere with the operations of transnational corporations and financial markets. That, of course, is precisely their intent. Our goal should be to create a system that works well for people. Corporations are only a means of meeting human needs. If, in doing what we believe will best serve our needs, we find useful roles for corporations, then we should by all means make such use of them. But the right to decide must reside with people.

There may also be complaints that these measures will create large global regulatory bodies at a time when the political sentiment is toward reducing governmental regulation. The intention in all instances is to create a framework in which actual regulatory action is taken at the lowest possible level. The function of global- and regional-level institutions is to support the local in such matters. We must keep in mind, however, that it is primarily the existence of powerful global corporations that creates a need for global regulatory bodies of sufficient power to hold them accountable to the public interest. The less obtrusive global corporate power becomes, the less the need for obtrusive global regulatory bodies. By reducing the size and power of global corporations and moving the system toward more rooted and patient capital, we limit the need for international bureaucracies and police powers.

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

Epilogue: A Choice for Life

I wonder if we wouldn't become more gracefully productive by recognizing that we are all living cells within living organisms like cities, bioregions, continents, and the earth itself. Could we lessen our stress, become healthier and more whole, if we saw our work as simply helping these organisms realize their own living wholeness?
—*Daniel Kemmis, mayor of Missoula, Montana*[1]

The question I constantly ask myself is, "What are the creative catalytic linkages that strengthen community and enable communities of people to exercise social and ecological control on economic and technological processes?"
—*Vandana Shiva, global networker*[2]

The spiritual and political roots of our crisis run deep. It is little wonder that a policy discourse dominated by an economics that takes no account of either the spiritual or the political remains so unproductive. It is in the discourse of an awakening civil society that we find a more realistically grounded perspective. It is as if we are rousing from a deep cultural trance to rediscover neglected political dimensions of our societies and spiritual dimensions of our being. If our crisis is a consequence of an excessively partial view of reality, as I believe it is, then this awakening—by bringing us to a more holistic awareness of who we are—may lead to long overdue acceptance of essential responsibility for how we use our technical and organizational capacities.

As science tells the cosmic story, consciousness is nothing more than an illusion born of chemical reactions. It is a story without meaning or purpose that