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Introduction

> We can have a democratic society or we can have great concentrated wealth in the hands of a few. We cannot have both.
>
> Supreme Court Justice Louis Brandeis

We live in the best of times and we live in the worst of times. At an ever-accelerating pace, things are getting both better and better and worse and worse. Contradiction and paradox confront us at every turn. The end of the Cold War and worldwide conflict. Capitalism triumphant yet the environment in trouble. Global integration and ethnic division. Great wealth amid widespread human misery. Longer lives but less wellness. More information but less communication. Greater possessions but fewer values. Larger houses but more broken homes. A knowledge economy and failing public schools. A common deficiency unites them all. If properly remedied, that one element alone could trigger an extended period of widespread well-being. That missing ingredient is a genuinely vibrant democracy. Although many of our triumphs are traceable to its spread, our many travails suggest that our democracy is under siege. If you could step twenty years into the future and look back, what would you want to see? There lies the genius of democracy: It empowers us to choose our own future. With predictable uniformity, people choose peace and prosperity—in the same way that refugees "vote with their feet" by fleeing to countries that are stable and free because there lies their best chance for happiness. As I will show, the limits to human prosperity are now our own. Those limits lie in the realm of political choice. That makes them eminently solvable. The only thing keeping us from a peaceful, post-scarcity world is a lack of political creativity. The barriers are no longer physical but organizational. Even environmental constraints are now solvable with intelligent technologies, ecological design, and alternative fuels.

This doesn't mean a top-down, government-mandated change in the way that business does business. Quite the contrary. With a genuinely robust democracy, we can create—in a bottom-up fashion—a commercial culture with designed-in principles of equity and sustainability. At present, fairness and the environment are treated as ingredients we blend in later, like trying to add sweetener to a cake after it's baked. Equity and ecological common sense aren't options or add-ons. If we lived in a functioning democracy, both would already be embedded as design principles around which decision making turns. That remains the only sensible way to evoke the future we want.

Why hasn't this already been done? Look in the mirror. There's the primary constraint looking back at you. We've allowed our democracy to atrophy. And then we've become cynical because we claim the system isn't working. As I will show, the key constraints we now face are design constraints and in a democracy, *we* are the designers. That's what makes *us* the reason it's at risk. Democracy is not dysfunctional, but our attitude about it certainly is. Democracy doesn't change in response to cynicism, disillusionment, and alienation—no matter how well justified. Democracy is a contact sport; it wasn't designed to respond to the ironic detachment of a James Bond movie. It responds to hands-on participation. And to passion. And to energized imagination. That's its nature. It's designed to change as we choose, though not too quickly. That means *you* need to get into action. And stay there. In short, the risk is there because you aren't. By *you,* I mean not only leaders in business and politics but anyone concerned with the future of democracy and the environment. Here you will find both a chronicle of the risks and a litany of practical ways to address them.

Let me confess a key assumption. I view free enterprise as the best system known for organizing an economy. There's magic in capitalism. And that magic must not be lost. After advising on economic reform in thirty countries, I'm certain that free enterprise has no peer. That's not the point. We can still call it free enterprise regardless of whether the rules result in a system that works well for many or only for a few. What lacks all credibility is when, as now, it works best for a few and when they insist that their success and, by implication, the failure of others is somehow hard-wired into capitalism, an economic equivalent to the fate of the ancients or "God Wills It." That darkly pessimistic assessment reflects a blend of self-serving nonsense and monstrous arrogance. God doesn't make the rules of free enterprise; we do. That's why it's called a free-enterprise *democracy.* The invisible hand of the marketplace is not some disembodied cosmic entity; it operates within rules set by the very visible hand of democracy. The challenge lies in how to write the rules so that the market works well for as many people as possible without impairing its capacity for creativity and prosperity and without damaging the natural world.

My thesis is bone simple. Today's rules have created a business environment in which more than $17 *trillion* now resides in the hands of U.S. money managers who respond solely to values denominated in financial terms. As I will show, today's "people-disconnected capitalism" is woefully insensitive to personal and community-based concerns that must be addressed if we are to have a genuinely robust democracy. I argue here that the rules be rewritten to create a more inclusive and people-responsive economy. My goal is to smarten up free enterprise by fostering ownership patterns that enhance capitalism's capacity to learn from those whose lives are touched by its operations.

We Get What We Choose

Symptoms of the dangers to democracy show up in three key ways: profound inequality, dramatic environmental risk, and political gridlock. For instance, no sensible democracy would opt for an economic system in which the financial wealth of the top 1 percent of households exceeds the combined wealth of the bottom 95 percent.[1] Or one in which the wealth of the nation's four hundred richest families grew by an average $940 million *each* from 1997 to 1999, whereas over a recent twelve-year period, the modest net worth of the bottom 40 percent of households plummeted 80 percent.[2] For the well-to-do, that's an average increase in wealth of $1,287,671 *per day.*[1] If that run-up in riches were wages earned over a traditional forty-hour week, that would be $225,962 an hour or 43,876 times the $5.15-per-hour minimum wage. Who voted for *that?* Why would a functioning democracy allow just four hundred of its citizens to accumulate wealth equivalent to one-eighth of the gross domestic product (GDP)? How many of our 76 million baby boomers would knowingly choose a system in which at least two-thirds of us are destined to lack sufficient assets to sustain ourselves in retirement? Yet as of 1997 New York University economist Edward N. Wolff found that the median household financial wealth (net worth less home equity) was $11,700, a figure $1,300 less than in 1989.[4]

How many wage earners in a true democracy would endorse a system in which 1998 wages are 7 percent lower than in 1973—when Richard Nixon was in the White House?[5] Or a system in which the work year expanded by 184 hours over the past decade? That's another 4 $^1/_2$ weeks on the job for the same or less pay.[6] Or where one in every four preschoolers lives in poverty?[7] Or an economy whose present poverty rate remains above that for any year in the 1970s? Or a system in which the top-earning 1 percent in 1998 had as much income as the 100 million Americans with the lowest earnings?[8] Who voted for a system in which that 1 percent pocketed, on average, an *annual tax cut* of $40,000 since 1977? Their tax cut exceeds the average *annual income* of the middle fifth of households.[9] If this were a genuine democracy, how many votes could a candidate muster for *that!* Or for a system in which the pay gap between top executives and production workers skyrocketed from 42:1 in 1980 to 419:1 in 1998, excluding their lush stock options.[10]

With democracy on the march worldwide, how many votes would you expect for a globalized economy in which the world's two hundred richest people more than doubled their net worth in the four years to 1999, to more than $1 trillion—an average $5 billion each?[11] Their combined wealth (the top seven are Americans) now equals the combined annual income of the world's poorest 2.5 billion people.[12] How much is $5 billion? If invested at 5.2 percent, that's a steady income of $5 million *per week.* Who would vote for a system in which just three Americans—Microsoft cofounders Bill Gates and Paul Alien plus Berkshire Hathaway's Warren Buffett—have a net worth larger than the combined GDP of the forty-one poorest nations and their 550 million people?[13] Who would vote for a system in which the World Bank reports that 3 billion people live on less than $2 per day (1.3 billion on less than $1 per day) while 2 billion suffer from anemia?[14] Or a system where experts report that the wealthy have stashed away a staggering $8 trillion in tax havens, leaving us to pick up the tab?[15]

So, Just Whose Democracy Is It?

Who dares argue that these results reflect a robust democracy? Yet we endorse those results by our inaction. Some commentators insist that everything is fine. Never been better. And, besides, anything amiss will right itself if only we give markets a bit more time. And interfere a bit less. They point to consumer confidence, declining crime rates, more leisure travel, a steady growth in entertainment, even a greater amount of charitable giving. Or they suggest that fast-widening disparities are deceptive because they fail to take into account what people can expect under social security. Or they trot out the Horatio Alger exception to prove the rule that entrepreneurs can still succeed. After all, they say, Amazon.corn's Jeffrey Bezos is now worth $7.8 billion. Or they complain that the statistics are deceptive because of the influx of immigrants and the growth in smaller households (more single households and higher divorce rates).

These commentators are being disingenuous, even deceitful. Their objections only prove the adage that for every Ph.D., there is an equal and opposite Ph.D. whose primary output is doubt. The facts are beyond doubt. We've created a mean economy—a sumptuous heaven for some, an ungodly struggle for most, and a living hell for many. Consumer debt-loads are at an all-time high, with bankruptcies to match. The United States imprisons far more of its citizens than does any other democracy. Social security is hardly an asset; it's an income transfer funded with a job tax. And to suggest that everyone become an entrepreneur is like advising that everyone become a chess prodigy. For every cyber-millionaire, there are hundreds of cyber-peons. We've always had lots of immigrants, but never so much economic disparity. As a proportion of their income, our beleaguered middle class gives far more to charity than does our pampered rich. And to suggest that the institution of marriage is at risk only confirms the all-pervasive impact of today's economic stress.

Though we have the luxury of productive capacity far in excess of what we can sell, we cruise the world shopping for cheap labor to boost financial returns instead of paying our people enough to clear the shelves. And now we're exporting this suspect model as our remedy for a failed socialist model that once swept the globe because of just such anomalies. Only this time around, we can add to human degradation the spectacle of fast-spreading environmental degradation that endangers both current and future generations.

Happily, these trends are not our destiny; they flow quite naturally from the rules we've chosen. Because those rules are so politically entrenched, change may require a resurgence of grass-roots activism and civil disobedience last seen during the 1960s. However, the immediate challenge lies in overcoming today's resistance to *waking up*, so that together we can choose a different future. My hope is that this book will serve as a wake-up call.

Choosing Environmental Damage

No informed majority would approve an economic design whose operations have forced every living system into decline. And the rate of decline is accelerating. Here's the WorldWatch Institute's 1998 assessment: "Forests are shrinking, water tables are falling, soils are eroding, wetlands are disappearing, fisheries are collapsing, range-lands are deteriorating, rivers are running dry, temperatures are rising, coral reefs are dying and plant and animal species are disappearing."[16] More specifically, over the past five decades, we've lost a fourth of the world's topsoil and a third of our forest cover. We are now poised to lose 70 percent of the ocean's reefs, home to 25 percent of all marine life. Ocean currents are already altered. Plant and animal species are dying 10,000 times faster than natural extinction rates, quicker than at any time in the last 65 million years (fifty to one hundred species become extinct each day).[17] And that's before we begin to experience the impact of chain reactions: When one part of the web of life is endangered, others are affected. The extinction of key pollinators, for example, can affect a myriad of plant species as well as those animal species dependent on them. At the current pace, 50 percent of the earth's plant and animal species will vanish before my nine-year-old son turns sixty. For what purpose shall I tell him this was done? And how shall I teach him to love a democracy so dysfunctional that it chooses not to cease this insanity?

James Hillman, noted Jungian psychologist, argues that it's time we grow up: "We are in a delusional state when we believe we are separate from and superior to nature."[18] Our current foundational ideas put us at great risk of what the Greeks called "hubris"—the terrible pride that comes before a catastrophic fall. In the United States alone, one-third of all plant and animal species are in jeopardy, including 70 mammals, 98 amphibians, 113 birds, and 318 freshwater fishes. We're losing our topsoil seventeen times faster than new top-soil is being formed. A dump-truck-load of topsoil floats by New Orleans every second, along with enough nitrate runoff to create in the Gulf of Mexico a New Jersey-sized, 7,000-square-mile "dead zone"—a marine desert where nothing lives.[19] We consume resources far faster than nature can replenish them. Every year the United States burns as much fossil fuel as the earth produced in a million years. It's too late to get into action to *save* our environment. Whole chains of DNA are certain to disappear. Entire ecosystems will be lost forever along with thousands of plant and animal species. All that can be done now is to make the decline less crude.

What's missing is two things. First, as Edwin Land put it, we need "a sudden cessation of stupidity." Second, we need remedial action to recover from the excesses of the past century. We can do both, but only if we choose policies that nudge us in that direction. The speed with which we begin the change is the central issue of our age—at least as important as our defense against Hitler or the campaign for civil rights.[20]

When the lifestyle of one species jeopardizes the possibility of life for others, we raise profound moral, ethical, and theological dimensions that few policymakers are willing to confront. Yet confront them we must if we are to embrace the changes now required. Our democratic soul must grow large enough and mature enough that we weave our responsibility to future generations into the very fabric of our daily relations. This intergenerational perspective must come to inform all aspects of decision making in both the commercial and the political realms.

Opting for Gridlock

No functioning democracy would put up with a political system paralyzed by stale and predictable partisan debate on matters of little substance while leaving unattended profound social inequities and fast-accelerating environmental tragedies. Yet that's what we face—a situation in which our very future is at risk alongside a legislature that immerses itself in self-imposed gridlock. The trends are far too clear and the implications far too ominous for us to endure the petty and pious bickering that now engulfs Congress.

We desperately need to draw on humanity's deepest insights in order to modify human behavior so that our presence will be life-giving and restorative. Instead we see a steadily widening gap between a detached decision-making elite and a disillusioned populace who are slowly awakening to just how little they've benefited from this two-decades-long policy-driven plutocratic boom—and how much that boom has damaged the natural world. Yet despite widespread dissatisfaction, only 5 of 435 House seats were lost in the 1998 elections. That's testimony not only to the power of the incumbent but also to our disengagement, even our lack of concern.

Happily, each of these three symptoms—inequity, ecological devastation, and political gridlock—can be remedied with a strong dose of the same prescription: your informed participation. For democracy and nature to flourish worldwide, this must become the decade of equity and sustainability. The politics of equity are essential to ensure the growth we need to create worldwide prosperity. And that growth will be sustainable only if undertaken in an environmentally sound fashion. At present, we're hurtling headlong in the wrong direction. We started out with a four-billion-year inventory of natural capital, including such freebies as an embedded capacity to convert the carbon dioxide we breathe out into the oxygen we breathe in.[21] That's a terrific design precisely because it's so clearly sustainable. The best things in life aren't free; they're priceless. They can't be bought or sold, only damaged or destroyed. Yet our standard of living presently depends on converting nature's capital (trees, minerals, oil, etc.) into "stuff for our consumption (paper, appliances, plastics) before sending it off to the landfill in a form that nature can no longer use. Terrific design on nature's part, lousy design on ours.

Both our economic and our environmental trends are horrifically out of tune with the notion of a democracy meant to endure throughout the ages. Yet by allowing such vast economic inequalities—both here and abroad—we make collective decision making more difficult, because those in vastly different economic circumstances are affected in quite different ways. Someone making $150,000 a year has a very different perspective than someone living on $15,000 a year (or $1.50 per day)—on issues such as immigration, trade, the environment, and the notion of a living wage. If that gap continues to widen—as I show it will, absent our input—politics will become even more fractious. We can design our way out of this, but we must act quickly, as events are now spiraling wildly out of control. String together enough undemocratic moments, and soon you're living in a society that's both undemocratic and unsustainable.

Part of the answer lies in changing the law. Lots of laws. I crafted federal legislation for seven years, working with Senator Russell Long of Louisiana (son of America's most famous populist, Huey "Share Our Wealth" Long). Early on I learned a useful lesson about advising someone whom journalists routinely described throughout the 1970s as the most powerful man in Congress. One of the first meetings I staffed concluded with a contingent describing some reasonable course they wished to pursue but could not, because it was against the law. Long's response still rings true. "Don't tell me what the law says you can't do," he said. "Tell me what's right. We can change the law." That can-do attitude is precisely what's now needed. The laws we have are not delivering die democracy we deserve. In fact, they've put it at risk. By not insisting on change, we've imperiled democracy. The environment too. We made those laws. We can change them.

Prosperity by Design

Democracy is best known by its attributes, much as a strongman is known by his feats of strength. Our democratic deeds presently fall well short of our economic capabilities. The same is true abroad. Democracy stands little chance of success worldwide unless wedded to practical measures for ensuring, if not the prosperity, at least the survival of those whose lives it promises to improve. The UN Development Program reported in 1999 that eighty countries had per-capita incomes lower than they were a decade ago.[22] Sixty countries have been growing steadily poorer since 1980.[23] Yet if we blow away the cobwebs covering the heart of democracy, we find an unexplored generosity, a fundamentally moral impulse that seeks a world free of those forces by which it is presently imperiled. It is those dimensions of democracy that I intend here to explore. Serendipitously, the fostering of prosperity for others is the best way to defend our well-being here at home while also creating customers for what we produce, as any free trader will attest. It seems that in matters of lasting importance, the wiring is such that genuine goodness is the price we must pay for our freedom. And for our own prosperity.

The limits of democratic design are those we choose. With a combination of social justice and sensible policies on population growth, the frontiers of human prosperity become largely a matter of our willingness to live within nature's constraints. By all accounts, the best population policy is economic growth that is equitably shared and environmentally aware. We've long known that ecological strains worsen poverty and that poverty exacerbates ecological problems. Economic disparities between nations also play a role, according to *GEO 2000,* a September 1999 report by the United Nations Environmental Program (UNEP): "The continued poverty of the majority of the planet's inhabitants and excessive consumption by the minority are the two major causes of environmental degradation." The report included the assessment of 850 specialists and thirty environmental institutes.

We know we can do better. The ecological footprint of Americans is thirteen times that of the typical Indian. Yet "green designs" can cut by at least 75 percent the use of energy in our buildings, while drip irrigation can reduce water usage by as much as 90 percent. Alternative energy sources—solar, wind, biomass—could displace much of our climate-crazing hydrocarbons. We need only choose it. Chronicling a litany of "full-scale emergencies" (water shortages, land degradation, air pollution, global warming), the UNEP's chilling report concludes: "Our present course is unsustainable—postponing action is no longer an option." Several of the world's major rivers—the Nile, the Ganges, the Colorado—now run dry during portions of the year, drained by irrigation and urban sprawl. Worldwide population hit 3 billion in 1960 and 4 billion in 1974. Our 5 billionth person is only thirteen years old. Our 6 billionth was born in October 1999. Sustainable worldwide prosperity is no longer just possible; it's now become essential. But that in no way means it's inevitable. Free-enterprise democracies have long found themselves on the losing end of the battle with human greed and political chicanery. Plus, environmental sensitivity remains far from the commercial norm. Common sense also remains in demonstrably short supply. Certainly our current political leadership is unburdened by brilliance, as they set low standards and regularly fail to achieve them.

In all these areas, the solution is the same: more people-responsive, people-connected systems. Today's widespread disconnectedness is the primary reason that democracy is at such risk. Democracy offers us the right to shape our destiny. It doesn't ensure that we'll use the right. Or use it well. Yet in the grand sweep of human history, democratic choice remains a very new concept and one well worth working to revive. We have enormous cause for optimism. With democracy . spreading worldwide, the setting has never been better for a worldwide revolution in democratically driven design.

Toward a Democracy That Transcends Politics

The ability to diagnose a condition does little to improve it. One key challenge in moving from diagnosis to prescription is to anticipate and redirect the emotions that typically accompany the "populist" appraisal just outlined. Although the conditions I describe may upset you, as well they should, to overreact would only make the cure more distant. My hope is that the passions aroused will be put to positive ends because the promise of significant worldwide reform is now palpable and real. We do at last have the combination of societal tools, institutional insight, and ecological know-how to make widely shared prosperity an achievable reality. Analysis is the easy part, as you'll see. It's the broad synthesis of remedies required—and the complex politics their adoption demands—that presents the greater challenge. Yet there too participation is the cure. That's why I propose here an extensive populist education campaign along with a nationwide training program to evoke a populist style of broad-based, community-attuned leadership. Those two ingredients—education and leadership—are essential to move this message into the mainstream and there to engage us in reclaiming our democracy. Citizen concern is the only tool that works for changing democracies in a peaceful way. For this reason, I propose here a broad array of action-based programs to convert today's cynics into engaged citizens and our alienated pessimists into political optimists.

My message is permeated with a sense of urgency and even an occasional note of desperation. As I will show, we live in very dangerous times, with destructive, even deadly forces poised to jeopardize our future if we don't move promptly to address them. Yet this message is also one of great expectation. If we can get the ingredients right— and a robust democracy is a system *designed* to get them right—we can set the stage for a worldwide trend of sustainable prosperity and enduring peace. If the populist agenda I propose becomes a rallying point for political participation, we can revive democracy while also addressing the underlying economic and environmental trends that now endanger both democracy and us. At heart this is a hopeful book. Though I see this as a race and a rescue, the changes required are well within our capacity.

Be forewarned, however, the superficiality of today's political debate leads me to stray on occasion from the advice of those who urged that I "make it kind." Sometimes, watered-down just won't do. I speak here uncomfortable truths. And in a way that main-streamers will find politically incorrect, even uncomfortable. I do so because democracy is meant to assist us in addressing just the sort of troublesome issues we face. Our policymakers have grown perilously timid at a time when courage is called for. We're selecting as leaders not visionaries, trailblazers, mythmakers, and dream weavers, but bean counters, scribes, and their ever-present pollsters who would substitute a pseudo-democracy for the real democracy of vigorous debates. They assure us "follow-ship" in place of leadership, like the fel low who tried to drive his car by gazing in the rearview mirror. Mediocrity shrinks from large problems. Yet if political pygmies now rule the land, what does that say of us?

Democracy is intended to be a living laboratory, with incessant creativity and experimentation. It implies risk and occasional failure, the hobgoblin of today's play-it-safe politicos. Rosa Parks didn't consult a poll on that day thirty-five years ago when she sat down for freedom. Likewise for what I propose here. Anyone who needs a poll to address these perilous trends has missed the point. In the times in which we live—with the resources and knowledge at our command— widespread, worldwide, environmentally sound prosperity should be considered a human right. Anything less is akin to forcing some to the back of the bus. That's not only unfair and unworkable; it undermines the dignity and underestimates the humanity of everyone else on the bus. What I suggest here is a course that challenges democracy to realize its full potential. It is in *that* direction that our destiny as a nation will be found—but not as long as political timidity reigns and a cautious incrementalism stalks the land.

Much of what I propose transcends partisanship because it requires of us a very new way of thinking. We don't face a political problem so much as a design problem. But democracies require political confirmation of support for any proposed design solution. That's a brilliant arrangement because the influence of an actively engaged democracy is the world's most powerful human force, capable of mustering not only the technical capacities but also the personal commitment, the stick-to-itness, and the essential *spirit* found at the heart of any successful movement. My goal is to make our democracy a day-to-day reality for as many Americans as possible and to extend that experience around the globe. Not only is that feasible and practical, but it's something we *must* do if we are to be left at peace to pursue happiness within our own borders.

Smartening Up Democracy

We live in a curious age. Some call it the information age, others the knowledge age. The "new economy" is the latest buzzword. Judging from the results, it might more aptly be called the age of ignorance. Why? Because the onslaught of information has been accompanied by less clarity. Our enhanced ability to describe is coupled with less capacity to make sense of what we see. Or where we mean to go. Yet that same information, if converted to insight and action, could help us tap the enormous potential of our times. That's why education and leadership training are essential as we step back for a moment to recalibrate our political compass so that we might better chart a course that is both inclusive and sustainable. We must design for ourselves a system that curbs excesses from within—by conscious design. We can't expect peaches and continue to plant peanuts.

As I will show, the public support is there to turn this nation in a direction more consistent with values that are just, green, and, for lack of a better term, *feminine*—by which I mean idealistic, caring, "spiritual," and attuned to the benefits that accompany high-quality relationships and a balanced personal life. Sociologist Paul Ray identifies a vast undercurrent of Americans—at least 50 million strong (120 million including Europeans)—whose lives are already guided by those values. They're quite puzzled why so few office-seekers embody those values. And why those values are not yet reflected in our rules so that practicing these values becomes habitual rather than occasional. Enormous potential political leverage is found among those whom Ray calls the Cultural Creatives and who constitute 5 5 percent of the nation's strong activists (17 percent of the population).[24] Of the Cultural Creatives, 60 percent are women.[25] Many come from a background in the "moral movements" that emerged since the 1960s—civil rights, peace, the environment, women's issues, jobs, and social justice. In short, they know how to turn up the heat and turn out the vote, ingredients woefully lacking in today's uninspired political environment with its bland issues and matching candidates.

Most Cultural Creatives share a curious trait: They think they're alone in their views. That's because they don't see their values reflected either in mainstream media or in the proposals of those running for public office. This "Integral Culture" comprises a group "bigger than any comparable group seen at the birth of any previous social renaissance," Ray notes. Its size suggests astounding implications for democratic renewal. The political challenge lies in mobilizing this "isolated many" around themes that reflect their shared concerns.

Twenty-First-Century Populism

Meaningful political debate has stalled in this country. That first became apparent to me in 1980, when I moved to Washington to work with Russell Long. By my reckoning, today's confused fog of unproductive political posturing dates from that era. My rhetorical bench-mark was the media's careless use of the term "populist." Jimmy Carter, a Democrat from my home state of Georgia, was then described as a populist, apparently because he was a peanut farmer who made it to the White House. Yet the term was also used to describe his 1980 presidential opponent, Ronald Reagan, whose policies set the stage for a rich-get-richer trend that continues today.[26] If that wasn't confusing enough, Tory Prime Minister Margaret Thatcher was also hailed as a populist, as were Mikhail Gorbachev, Texas billionaire Ross Perot, and now professional wrestler cum governor of Minnesota, Jesse Ventura. My conclusion: "Populist" is a label that politicians crave but that commentators too easily confer. A uniquely twenty-first-century populism is, I suggest, just the political tonic that democracy now needs. I describe here what populism really means and why it's uniquely well suited to revive and safeguard democracy. I also show how the public support is there to convert America's *innate populism* into a stunningly popular political reality.

My background is in ownership design. That's how I came to work with Huey Long's son in crafting the federal legislation that encourages employee stock-ownership plans (ESOPs) now found in some 10,000 U.S. corporations. I share the Longs' preference for broad-based versus concentrated ownership, believing simply that capitalism works far better when populated by many rather than just a few capitalists.

Right now we have far too few capitalists, despite Wall Street ad campaigns meant to persuade you otherwise. Broad-based ownership also has the potential to serve multiple purposes. Not only can it advance social justice and make markets work more smoothly (and with far less government interference), it can also address environmental issues in a very new way. I think of broadly "peoplized" ownership patterns as a tool, a *metatool,* if you will, that could involve more people in making decisions that affect them. Experience suggests that such personalized capitalism enhances both motivation and mindful-ness while better aligning self-interest with the common interest, improving our foresight. There are lots of ways to do it—going well beyond ESOPs—as I show in Chapter 1.

2008 Is Too Late

As early as summer 1999, the political dynamics of the 2000 U.S. presidential election were already beginning to jell. An extraordinary confluence of events will be required for these populist themes to find a champion in the 2000 election, even though not long ago presidential campaigns were launched on Labor Day, just two months before the November election. If the next administration serves two full terms and these matters are not addressed until 2008, it may be too late. As I will show, today's economic, social, and environmental trends are demonstrably unsustainable. A vigorous campaign organized around the themes I describe could replace widespread cynicism with optimism as people rally around the promise of an inclusive future that is uniquely populist both in its outlook and in its policies. At various times, these populist themes have attracted support (though precious little action) from presidential candidates spanning the political spectrum—from Ronald Reagan, George Bush, and Jack Kemp to Ted Kennedy, Jesse Jackson, and Bruce Babbit. No one has yet made them a central focus of a presidential campaign. Modern-day populism offers a uniquely appealing political alternative because it places full confidence in a wisdom found neither in the distance that typifies governmental direction nor in the abstraction found in today's financial returns-obsessed economic model. Populism puts its confidence in the local preferences of real people living in genuinely people-empowered communities. People empowerment is the component now most missing in today's Wall Street-driven democracy.

Optimal solutions emerge when those closest to the problem possess the wherewithal to address them. Savvy business managers embrace this as a self-evident truth. They put decision making as close as possible to emerging problems because delayed feedback is the most costly. The more localized the control, the more precise and measured the response. That's how organizations learn to learn, as up-close decision malting generates not only answers but also insights. Anita Roddick, founder of The Body Shop, captures the populist, people-first spirit embodied in this perspective: "We were searching for employees but people showed up instead." A democratic revival awaits a brand of politics that puts its priority on people and place. This priority is what free-enterprise democracy long ago promised and has yet to deliver.

Monocultures versus Democultures

Throughout our history, populists have opposed those who granted too much deference to the forces of finance. I hail from that tradition, but with two key differences. First, I'm a genuine insider. As counsel to the U.S. Senate Committee on Finance (1980-1987), I labored long in the inner sanctum of our financial system. I've seen firsthand the forces at work when its rules are written. And rewritten. Second, although my analysis includes traditional economic and social perspectives, it draws principally from modern systems analysis, once known as cybernetics. The word stems from the Greek *kyber-netes,* meaning "that which steers" or the "helmsman"—who continuously adjusts the tiller in response to feedback received. My "systems" approach keeps this book ideology-free while also purging it of partisan politics—with a few exceptions. My aim is to preserve democracy, which means ensuring that people have a choice. The goal is not just to protect a diversity of views but also to *reflect that diversity* in the results that emerge. That's how you know the democratic process is working. Nature operates on a similar principle. Monocultures fare poorly in nature. In the face of environmental change, biodiversity provides a stabilizing force that buffers ecosystems against catastrophe, ensuring that a habitat is not overwhelmed or that native species are not driven into extinction.[27]

The finance monoculture that accompanies today's capital market-dominant economic model is similar to what's unfolding in nature after we imported the Japanese kudzu vine to control soil erosion. A virulent bioinvader (like water hyacinths or the zebra mussels of the Great Lakes), kudzu has taken over millions of acres in the American South, overwhelming the native habitat as it smothers flowering plants and shrubs, driving them to extinction. The success of this vine shows the impact of bioinvasion in natural systems as the newcomer out-competes native species, alters the habitat, or both.

The impact on democracy of a dominant *economic* factor is similar. Legitimate nonfinancial viewpoints are drowned out when money-based values become too controlling as a source of feedback. Although the impact of an "eco-invader" on democratic systems may take decades, as did kudzu, the effect can be just as devastating, driving other values to extinction before we can evolve survival mechanisms. Today's monoculture economics, with its compulsive fixation on financial factors, not only is drowning out the diversity of views essential to a vibrant democracy, but is also endangering domains that have no voice, including the environment and the rightful claims of future generations. Most disturbing of all, however, is the implication that the locus of authority in a democracy must now be found externally—in abstract financial signals—rather than internally in the community-sensitive self-governance envisioned at the heart of democratic society.

Yet even this systems analysis misses the full flavor of democracy because it makes it sound somehow mechanistic. It's hardly that. The genius of democracy lies in what physicists call "field-based thinking"— the notion that there's a quality of energy, attention, and shared values and meaning that permeate any society, giving it direction and momentum and creating an effect. The qualities that define democracy— freedom, equality, dignity, solidarity, and so on—reside not in mechanistic building blocks but in the dynamism of relationships.

As in modern physics, our policy focus must shift away from the study of things to the study of connections—from matter to patterns of relationships. Physicist Fritjof Capra provides a useful analogy. Sugar, he notes, is made up of three molecules: oxygen, hydrogen, and carbon.[28] In no single atom can the quality of sweetness be found; it emerges in the relationships among the molecules.

We're drawn to democracy because it's the smartest system we know. It evokes the best in us. Yet its intelligence is like the human brain whose substance is "notoriously unreliable," as systems pioneer Stafford Beer points out: "Neurons are extinguished without warning, synapses change their thresholds capriciously, and a single shot of alcohol alters the whole cerebral ecology. And yet we humans continue to operate fairly smoothly throughout it all."[29]

As with the design features that make human intelligence robust, a well-functioning democracy needs to be designed with abundant redundancy. "Redundancy" is used not in the sense of replicating fallible components until some of them work but in the sense of generating overlapping relationships so that the system learns from a multifaceted whole.[30]

An intelligent democracy clearly requires the mechanical element of democracy (the vote). However, we also need to think of democracy as we do our own holistic intelligence. In the same way that our intelligence is more than the meeting of neural synapses, democracy is a unified system made up of diverse networks of relationships and communication that direct its course. As an informed and passionate populace, we must do more than just vote. The relationships and connections typical of civil society make up the brain that both comprises and informs democracy's body politic.

Choosing a Sustainable Future

Our history, our common sense, and modern systems analysis confirm that the challenges we face would be far better addressed with a system that draws on more broadly participatory economic relationships. That's the best way to "smarten up" ourselves. Thomas Jefferson was quite outspoken on this point, insisting that the only remedy for the defects of democracy is *more* democracy. More democracy requires more connectedness, more interdependence, and input from more diverse views. To achieve this, we must create new ways for the system to communicate with itself. It's not only about smartening up the system, though that's important, but it's also about making the system *reliably* intelligent—a key component in sustainability. "Without good connections and a system-wide shared sense of what matters," author Myron Kellner-Rogers argues, "I cannot be trusted to act in a way that serves the whole."[31] Astute business managers know that. Our politicos are still trying to figure it out.

As you can see, this generic "systems" approach to democracy could form a key plank in the platform any of our various political persuasions—Democrat, Republican, Reform, Green, Libertarian, or whatever. Democratically derived solutions to very similar problems may look very different in Berkeley, Boulder, and Boston than in Baltimore, Birmingham, and Beverly Hills. That doesn't make one locale or one solution better than another. The point of democracy is not to have everyone arrive at the same solution, though it's easy enough to identify those in Congress who think so. Each community has its own experience and expertise from which its solutions emerge. Democracy values diversity, not only because of its richness but because it's also the most robust system we know. Like nature, democracy abhors a monoculture. When properly designed, tomorrow's free-enterprise democracy will mimic the wisdom found in nature's design, which recognizes that nothing is ever fully independent but exists in ever-shifting patterns of relationships.

True democracies constantly adjust to a variety of elements. Their architecture is that of a very large tent, with room enough to accommodate the Black Panthers and the Ku Klux Klan, evangelicals and scientologists, Muslims and Mormons, the greedy and the kind, vegetarians and junk-food junkies. There's no such thing as an ideal democratic result. Democracy is about empowering people to choose their own result, respectful of the right of others to do likewise. Although to the casual outsider the United States may look like a walking multiple character disorder, it was the tyranny of *any* monoculture that this nation was founded to escape.

Democracy is not a destination; it's our manner of traveling. It's not so much something we *do* as the way we *are.* And the way we are *in relation to others.* Therein lies its sweetness.

It's not accidental that "We the People" was the phrase chosen to identify the architect of democracy's design. It doesn't read "We the Capital Markets" or "We the Government" or "We a Certain Sort of People." Democracy is at risk because we've granted undue dominance to one very narrow perspective—finance. The nation's founders would find this narrow focus very curious indeed, particularly for a nation that has spent much of the twentieth century opposing political systems founded on very narrow perspectives. Happily, this time we don't need to rearm; we just need to reconnect. The operative agent of this solution is easy to identify. If you want to know it, go look again in the mirror. The Hopi elders put it succinctly: "We are the ones we've been waiting for."

Some commentators will dismiss this analysis. The dominantly cynical mode of present-day journalism assures criticism, even ridicule. The usual rhetorical gambit is to call it unduly alarmist. Or gloomy. Or grandiose. Even, heaven forbid, overly earnest. Or my personal favorite: yet another self-absorbed screed for a "cosmic justice" that must yield to the sober judgment of plainer folk.[32]

As any student of systems will attest, the greatest benefit flows from taking the broadest possible view of the various connections in a system and only then considering how to craft a fully integrated design. That was the approach taken when this nation was conceived; the Framers elevated the debate until they had a framework sufficient both for comprehension and for action.

Although we're clearly in the midst of another Gilded Age, exemplified by rampant selfishness and a fascination for trivial tilings, my point is not to stress the obvious—that we lack purpose and that we are distracted from accomplishing great things, particularly when compared to earlier eras or when measured against the challenges we face. This is not a judgment call, but a call for common sense. I wish to show that we endanger both ourselves and democracy when we indulge in anything less than democracy's highest calling. This is not some romantic vision, but part of the built-in design of democracy. To perform well over the long haul, democracy requires that we operate with certain key values, particularly the values of social equity and intergenerational sustainability. Until those core values are firmly encoded in this nation's rules and reflected in its results, democracy will remain at risk.

Part One
Out-of-Control Capitalism

Chapter One
The Populist Moment

> I believe there are more instances of the abridgement of the freedom of the people by gradual and silent encroachment of those in power than by violent and sudden usurpations.
>
> James Madison

While self-interest is certain to remain a driving force in the success of free enterprise, democracy has long been animated by a latent generosity that longs to be unlocked. Humankind is predisposed to generosity. For the bulk of human evolution, we relied on cooperation and sharing to survive as hunter-gatherers, for whom survival depends on key psychological qualities—openness, attunement, solidarity, mutuality, appreciation. People still want to give of themselves to one another—to family, to friends, to their community—and thereby to live on in others. If democracy is to live on in the lives of our descendants, we must ensure that free enterprise, democracy's commercial component, is guided by rules that put some limits on greed so that more of us can afford to give expression to that innate yearning for connectedness.

Yet so long as we give such free rein to the unbridled forces of finance, we will be besieged by avarice and by the peculiar dictates of financial values. Finance has no way to calibrate what our relations should be with our fellow citizens or with the environment. Or what sort of society we should leave for the next generation. In the financial domain, those matters are of no concern. The answer lies not just in corralling greed, though that's a good start. Nor does the solution lie solely in encouraging broad-based ownership, though that's essential. The remedy—necessarily wide-ranging—can only emerge from a long-overdue national dialogue about the democratic values we share and how they can be reflected *throughout* our policy environment. In this chapter I provide an overview of suggested remedies meant to catalyze that dialogue.

It's helpful if we first "unpack" the sentiment (versus the feedback mechanism) that animates democracy and reflect on how far we've strayed from the inspiration that informed this nation's founding. At its core, democracy has to do with dignity, confidence, and respect. Genuine populists are easy to spot. They speak to you as an equal and in a straightforward way. Though compassionate in their dealings with others, they recognize that people are doubly victimized in a system that grants them the degradation of pity without the dignity of helping them earn genuine respect.[1] Populists understand that if we put too much faith in compassion, we are stuck with a "Have Mercy" argument—have mercy on others and give them what they did not produce. Not only does that degrade people, it also undermines market mechanisms and leaves people no better off. Populism suggests instead that government's role is to boost the capacity of people to produce so they can be confidently self-sufficient.

In announcing his candidacy in June 1999, George W. ("Dubya") Bush hid behind a rhetorical hybrid he labeled "compassionate conservatism," recalling his father's equally vacuous phrase from a decade earlier extolling "a kinder, gentler nation." Pundits were quick to skewer the phrase, labeling it "Right Lite"—-particularly after Dubya clarified his position: "It is conservative to cut taxes and compassionate to give people more money to spend."[2]

In announcing his candidacy two weeks later, Al Gore attacked Bush for suggesting that people be left to fend for "crumbs of compassion," hinting that Bush's elitist attitude, like that of his father's, is akin to noblesse oblige. Yet what did Gore's "progressive" platform offer? Education and training—key ingredients in what he called practical idealism. Pundits quickly lampooned his position as "Limp Left," particularly after it was revealed that he was taking $15,000-per-month "masculinity lessons" from author Naomi Wolf.

Conspicuous by its absence was any mention of ownership. Neither candidate brought it up. Like two bald men fighting over a comb, neither offered an economic program with *any* hope of escape from today's plutocracy-prone trends. Instead they served up four largely interchangeable words akin to political pablum. Like preschoolers who learned only one way to draw a house, both imply there's no better way to organize free enterprise. Or to reinvigorate democracy. Or to address environmental concerns. We face a critical juncture in our approach to social progress. Yet rather than vision, ideas, inspiration, and leadership, we're offered political posturing and flashy presentation. A very new world requires very new solutions. Today's disturbing trends suggest there's much in our policy mix that should be tossed out. Yet rather than hint at the need for reform, we're assured they only plan to tweak the current model. New ideas are received with the same enthusiasm that the Flat Earth Society would show for a satellite photo.

The Politics of Respect

Populist arguments for sharing our wealth are multifold, but they cluster around two key beliefs. The first is that current wealth holders came by their riches unfairly or were granted an unfair advantage. That's why I include an explanation of today's rich-get-richer closed system of finance along with an insider's assessment of the role played by wealth-concentrating supply-side economics. I also explain the impact of corporate welfare on wealth patterns and document multiple deficits that endanger us all.

Second is the belief that although compassion is not to be dismissed as a safety net, it should be viewed as a profoundly weak foundation for a nation based on the principles of political equality and human dignity. That's where populists part ways with Clinton-Gore progressives in identifying the building blocks for a democracy. Democracy is not about marginally improving the plight of those adversely affected by capitalism. That's the progressive approach. Populism proposes instead to *transform* capitalism by "peoplizing" it so that Americans gain a personal stake in a system from which they've routinely been excluded. Its goal is to reconfigure free enterprise so that it becomes connected to people and their communities in a direct and authentic fashion. At its core, populism is about evoking a commercial environment, including a global economy, that exists to serve people and their communities rather than the other way around. Populists know that if we did a better job of sharing our wealth, we could get by with a lot less of today's so-called compassion—most of which is taxpayer-funded.

Populism proposes to restore authenticity and dignity to a democracy now bordering on crisis—as evidenced by the strains on civil cohesion, the breakdown of community, a prevalent sense of isolation, a corrosive addiction to consumption and endless economic growth, and a remarkable deference granted those whose devotion to Adam Smith depends on not reading him. Populists remind us that free-enterprise democracy is not just about free markets, but also about how to live free and how to create more possibilities for personal autonomy. That hunger lies at the heart of all democratic aspirations.

Autonomy Within Community

Autonomy is the pathway to genuine democracy. Paradoxical though it may seem, autonomy requires community. As Carl Jung put it, to be genuinely "I" requires "We." You cannot become fully human in isolation. Adam Smith agreed, advising that it is sensible to talk about the well-being of the self only within society.[3] Healthy societies encourage close social ties and mutual interdependence. Only within such a nurturing framework do individuals feel sufficiently confident and secure that they become genuinely free.

We're just now realizing how badly we've depleted our inventory of social capital, that unseen web of human relationships in which our personal liberty, and hence democracy, is embedded. That intangible element establishes the reach of societal connectedness and the boundaries of human trust. The outer limits of democracy are set not by geography, nor even by national boundaries, but by the level of one's confidence in the presence of those shared values (just imagine flying to London versus, say, Teheran).

A broadly shared capitalism *itself* has value because it helps combat today's radical individualism and its strident emphasis on personal rights with little regard for social responsibilities. Or for the needs of democracy. As we're belatedly discovering, that's a stance destined to breed distrust, disharmony, and lawsuits (the United States is now home to 70 percent of the world's lawyers). Populism rejects both the seductive politics of pity and the blind deference granted finance. The confidence essential to free and equal citizenship is found neither in the status of needy recipient nor in becoming an unwitting pawn in global capital markets. Populism embraces instead the politics of self-reliance wed to interdependence, secure in the knowledge that humankind is meant to be free and to live a life of dignity, security, and leisure. From that condition, we can explore the generosity that resides in the human heart. Rather than continue today's retreat from the promised vistas of democratic potential, contemporary populism insists that we pledge ourselves anew to their attainment. And that we do so within the confines of ecological limits.

It's essential to this goal that we assume an activist role in world affairs by demonstrating how the rules of free enterprise can be rewritten so that fast-widening prosperity becomes the global norm. We must show how modern living standards can be achieved in an environmentally sound fashion. That presents a daunting challenge in a world where physical and intellectual resources are unevenly distributed and where development has long been linked to harm to the natural world. Let me suggest only this: absent such a stance, we will prove ourselves unworthy of the demands of this age. If, in this post-Cold War era, we fail to seize opportunities for change that were won at such a high price, our indictment by history is richly deserved.

On these crucial issues, the recent legislative and diplomatic record has been profoundly poor. If we are to lead the global quest for a higher order of economic well-being, we must address not only the inequities in the U.S. system but also the cauldron of human misery that afflicts fully two-thirds of humankind. The stakes are huge and the window of opportunity perilously small. The continued spread of free enterprise may itself now be endangered by our failure to make it sufficiently inclusive that it meets commonly accepted standards of civilized behavior.

Peoplizing Capitalism

At the outset, let me assure readers that there is yet time to design a *peaceful* path out of this predicament, provided we turn quickly to Grafting a *practical* cure. Conventional remedies won't work. For instance, the idea of people accumulating significant capital through personal saving is a particularly vigorous exercise in futility. Not only is our national savings rate negative, it's poised to worsen as we open up to the wage-dampening impact of foreign labor. The encouragement of dramatically inclusive financing techniques could help. That was a key recommendation in my 1998 book, *The Ownership Solution.*[4] However, the remedy falls well short for a very simple reason: The proceeds from any sale are destined to make the already-rich even richer—both by purchasing assets from them and by borrowing funds from them for the privilege.

These unconventional times call for highly unconventional remedies. There's no single answer to this multifaceted challenge. No societal silver bullet will magically cure our many ills. We must pursue a broad range of remedies and pursue them quickly. Brief descriptions of the populist policies I propose include the following (explained in more detail in later chapters):

Full-ownership policy. Today's full-employment economic policy needs a counterpart ownership policy. We need both widespread employment of our labor resources and widespread ownership of our capital resources.

Ownership impact reporting. Every policy pronouncement should be accompanied by an ownership impact report. We have a right to know when those we elect pass laws that make the rich richer. An international effort should compile and maintain a detailed global ownership registry.

Fiscally foresighted investment practices. Today's $8 trillion-plus in retirement-plan assets must be invested in a way that fosters broad-based ownership. Pensioners need to retire into a fiscal environment characterized by widespread financial self-reliance. Anything less endangers their retirement benefits.

Private wealth from public assets. Government contracting should favor broadly owned companies. The same should hold true for government-gran ted licenses (broadcasting, etc.) or anywhere private access is granted to public assets, such as commercial access to minerals, timber, and oil on public lands.

New ownership possibilities. Ongoing commercial relationships (supplier, distributor, customer, contractor, bank depositor, service provider) should be the priority focus for an array of policies designed to broaden wealth while improving enterprise performance by "ownerizing" those relationships.

Customer-owned utilities. Investor-owned utilities should become partially owned by their customers, gradually transforming bill payments into customer-owned equity.

Corporate localization. Today's megamergers should be restructured to ensure broad-based ownership, particularly within those communities where corporate operations are located.

Ownership-pattern-attuned tax policy. Fiscal foresight requires a tax policy ensuring that more of the nation's income-producing capital finds its way into the accounts of those now undercapitalized.

Monetary policy. The Federal Reserve's indifference to fast-widening economic disparities is destined to undermine long-term price stability as more people become dependent on the government. Both monetary and fiscal policy must be made more sensitive to ownership patterns.

Antitrust policy. Ownership patterns should be considered a key factor in assessing both the structure and the conduct of monopolistic firms.

Populist foreign policy. U.S. foreign policy should set as its top priority the worldwide alleviation of poverty. Plutocratic ownership patterns, now the global norm, pose a clear danger to global stability, to the environment, and to the continued advance of democracy.

Foreign assistance. Foreign aid, including assistance provided by the World Bank and the International Monetary Fund (IMF), should adopt ownership-pattern-sensitive development techniques.

Capital commons user fee. Global capital markets are a commons. An international effort should impose a capital commons user fee, directing the proceeds to fund human needs in the developing world. International law should extract a "freeloader's levy" from those who've hidden $8 trillion in the world's tax havens.

Resource productivity policies. All public policies should be designed to multiply the productivity of natural resources.

New assets for new owners. Limits should be placed on hydrocarbon emissions, property rights created in emission permits, and those permits used to capitalize households nationwide, linking energy conservation to income generation.[5]

Socially responsible investing. As with the antiapartheid screening of investments a decade ago, the investor community should screen for equity and sustainability.

Prosperity corps. A prosperity corps should be established to train Americans for missions abroad that implement best-practice development programs.

Culture corps. Americans should be sent abroad to share our diverse cultures with others while showcasing the world's cultures here.

Just say no to values-free free trade. Free trade, yes, but no more values-free free trade. Democracies must oppose injustice and un-sustainability, whether here or abroad.

The rewiring of free enterprise for inclusion requires an extraordinary degree of political consensus, more than we've seen except during wartime. Yet even the strategies I propose may be insufficient if we hope to rely on personal capital as the route to broad-based economic autonomy. Given the extraordinary concentrations of wealth that policymakers embraced over the past two decades, an element of wealth reallocatlon has become not only advisable but essential, a subject to which we turn in Section 4.

A Glimpse of the Future

Is change possible? Yes, absolutely. We need only choose a different set of rules. Once we realize that the rules can be changed, then whether we do so becomes a question of ethics. How we answer that question cuts to the core of what it means to be a responsible member of die human community. We don't yet have leaders either with the gumption to propose needed changes or the grit to see them through. As those leaders emerge—as I'm confident they soon will— we'll at long last have an opportunity to choose inclusion and sustainability over a system that's now brutishly exclusive and alarmingly unsustainable.

A few examples show how "up-close capitalism" would differ from today's remote and disconnected capitalism. Up-close capitalism is more participatory, more personal, and more equitable and shares both the risks and the rewards far more broadly.

• In 1994, 55,000 employees of United Airlines purchased 55 percent of their employer for $4.9 billion. Tired of seeing their livelihoods subject to the whims of Wall Street, they decided to work for themselves. Peace of mind, they found, lies in using financial markets rather than being abused by them. The typical employee now has $40,000 in United Airlines stock plus competitive union wages and a diversified pension.

- When the North American Free Trade Agreement (NAFTA) was announced, the Canadian province of Manitoba rightly reckoned that local savings would flee to the major money centers, stripping the province of the means to create or maintain employment. The provincial government responded with incentives that encouraged local savings to stick around. The Winnipeg-based Crocus Investment Fund now has more than US$100 million invested in local businesses.
- Independent truckers at the Port of Savannah, Georgia, fed up with being pitted against one another by steamship and trucking companies, are organizing to form their own company to haul freight from the bustling port. Urged on by the International Longshoremen's Association, the strategy could mark the beginning of a new approach to labor organizing in the South, where only 7 percent of employed adults are unionized, versus a nationwide rate twice that.
- In response to 1998 legislation mandating the privatization of Ontario's electric power industry, a group called the Democratic Capitalism Study Group proposes the use of a customer stock ownership plan (CSOP) to purchase Ontario Hydro, for Ontario's 11 million citizens, relying largely on the firm's future revenues to finance the purchase.
- Several Internet companies (OWNERShop.com, MyOwn-Empire.com, and others) are beginning to sell a broad range of products with a unique twist: Rather than a cents-off discount coupon or a product rebate, customers will receive equity.
- In 1991, Real Goods Trading Corporation, a mail-order catalog firm, targeted a direct public offering (DPO) to its repeat customers. A second offering was completed two years later. Both were oversubscribed. Stakeholder-owners purchase twice the dollar amount of products as nonowner customers.[6]
- The Super Bowl champion Green Bay Packers football team has been anchored in a small Wisconsin town for eight decades with an ownership design that links the team to its natural owners: local residents and fans. Contrary to other pro football franchises, collected like so many expensive doodads by the well-to-do, the Packers' ownership resides in a not-for-profit corporation first established in 1919. Shares can be left to relatives but can only be sold to outsiders after first being offered to the team. No one can own more than two hundred shares. If the team were sold (NFL franchises routinely fetch upward of $250 million), the proceeds must be used to construct a war memorial at the local post of the American Legion.
- Visa International is now the world's largest financial company, processing over 7 billion credit card transactions each year linking 14 million merchants and 750 million customers and producing $1.25 trillion in annual transactions across borders and currencies. Rather than being owned by one or a few owners, its nonstock membership stakes are held by more than 22,000 member banks, with each "owning" as much of the market as it can develop.

Continued Inaction Is Unacceptable

We're currently plagued by a policymaker corps unwilling to acknowledge that we live in a time of pending crisis. The implications of continued inaction are staggering—fiscally, socially, culturally, politically, environmentally—as I will show. Other nations are in even worse straits. Most alarming, however, is that this crisis—a crisis of our own making—is largely ignored both here and abroad. At home, policymakers are enthralled by a steadily rising stock market. Yet no one has pondered what becomes of this financial exuberance as those who've plowed funds into the market find that there are too few people with too few funds available to buy them back out. Any attempt at a massive sell-off would resemble a high-stakes game of musical chairs with few places to sit. People seem to forget that you don't really harvest the value of a security until you sell it.

During the twelve years of the Reagan-Bush administration, we passively watched while wealth and income disparities veered toward the unconscionable throughout the 1980s. Then we looked on complacently as those disparities worsened throughout the Clinton-Gore years of the 1990s. Because the policies of both camps brought this situation about, neither will address it. In politics, success has many fathers, whereas failure remains always an orphan. Happily, positive change truly is a matter of choice. Here I propose a way forward that is both politically practical and financially feasible. My goal is to re-frame the political debate so that we choose more wisely—and so that we truly *have* a choice. That alone would be a major breakthrough in today's politics with its Tweedledum and Tweedledee candidates.

Today's unconscionable economic disparities not only affect us, but also reflect us. That should spur us to ponder just what sort of democracy we mean to leave for our descendants. Yet often I'm assured that the forces allied against the changes I propose are too strong, their influence too deep, the opposing interests far too entrenched. To that I say only this: Truth itself has power. And if the power of truth cannot prevail, then our democracy is not just endangered, but badly damaged and perhaps even doomed. If we but trust our common sense, embrace our common values, and remain true to our shared convictions, we can reclaim our country and ensure that never again will it be taken hostage by those forces by which it is presently imperiled. Contemporary populism faces the same paradox that has long bedeviled reform in a democracy: Though reform must be anchored in broad-based support, the stimulus for that reform requires inspired and committed leadership.

What Sort of Leader Is Required to Move a Populist Agenda?

The type of leader that democracy now needs is unlike anything we've yet seen. A populist presidential candidate would stand in sharp contrast to anyone now on the national political scene. If the candidate hopes to be a candidate in the near future, he or she will almost certainly enter the fray from well outside the mainstream political establishment. Because of the tightly closed nature of the modern presidential election process (expensive, front-loaded, party-driven primaries, party-organized nominating conventions, etc.), the person's candidacy will need to be a media phenomenon. That suggests someone with such a combination of fresh ideas and personal appeal that the other candidates pale by comparison. Happily, that's not a tall order, given today's short list of dull and shopworn wannabes. And the electorate/s frustration with a nomination process that serves only to prove which candidates have lots of money and a fat Rolodex.

Yet these requirements also suggest someone quite unconventional and, as yet, largely unknown. Nor can the person be easily intimidated—by the job, other candidates, the media, or the political establishment. Many of these people or groups will be miffed that someone outside the guild is crashing their party—particularly someone with no obligation to support *their* agenda and no commitment to staff up with *their* people. Neither Democrat nor Republican nor Reform nor Green nor even Libertarian, he or she will have to recast the political mold, emerging as a "possibilitarian."[7] A possibilitarian is someone with enough verve and vision to cure the nothing-can-be-done disease that keeps voter turnout at historic lows among those who fare the worst in today's economy, particularly Gen-Xers (the 50 million people born between 1965 and 1978) turned off by the sleazebag nature of today's money-responsive politics.

American voters expect a touch of gravitas in their presidents, a trait of somber reflection that former Treasury Secretary Lloyd Bentsen once joked is readily achieved with a touch of gray hair and a freshly pressed suit. That's a must. It precludes a serious bid by feather-boa-attired former professional wrestlers. Yet the voting public is clearly ready for a political upstart and will readily embrace someone who takes the office seriously while taking himself or herself lightly. A keen sense of fun and self-deprecating humor would be a huge plus. Certainly a modern populist candidate would need to be well versed in both domestic and foreign policy in order to have something useful to say on the global applicability of populist principles. The person would also need to be skilled at explaining new ideas in terms of the old so as not to frighten anyone with what amounts to a fundamental reordering of the economy. It also suggests someone at ease with people and whose heartfelt concerns shine through in what's proposed.

Though presidential candidates have typically had some experience in a senior government job (governor, member of Congress, cabinet secretary), this could prove a disadvantage today because of the prevailing cynicism about politics and the corrupting influence of money in politics. A bit above the fray but a canny participant in it would be the hallmark of an effective candidate. To keep from being co-opted either by unwieldy political commitments or by the fund-raising required for a conventional presidential bid, the person will need to be sufficiently provocative on the issues, as well as interesting in his or her own right, so that ongoing media coverage and genuine popularity replace paid-for advertising as the way to access the public. Although this may sound unlikely, it is also just the sort of initiative, boldness, and change-of-pace personality one would expect from anyone willing to take on the powers-that-be in order to press a genuinely populist agenda.

It's no longer crucial for a candidate to have an Ozzie-and-Harriet family life. Anyone who fits the description above is certain to have had a broad range of life experience. A more complicated family situation would make the candidate more real, particularly for Gen-Xers, many of whom were raised in homes with divorced parents, stepparents, half siblings, and such. The United States is ready for the personal fallibility that such contemporary complexity suggests. The phony postcard perfection of the First Family lost its allure long ago. A blended family may even be an asset. The person may well be unmarried. Or divorced and have children who live with him or her. The candidate may be in a long-term committed relationship. It's a new century, after all.

In dealing with Congress, the candidate's independence from either party will prove a political plus, provided he or she remembers to appeal directly to the people when their support is needed to dislodge legislation from a paralysis-prone House and Senate. Bringing to office a wide array of new ideas (as you'll see herein), he or she will be a prolific initiator of legislation. With the presidency won on the appeal of a populist platform, he or she would enter office with the most significant election mandate given a president since Franklin Delano Roosevelt's election in 1932. The body of legislation introduced in the president's First Hundred Days would be sufficient to consume at least one full Congress (two years) and possibly two. Because populism embraces core values common to both major parties, the president would be well positioned to broker compromises when those prove essential. At the same time, however, the credibility of the office, as well as the momentum required to enact the administration's comprehensive program, will depend on the president's willingness to ensure that the Washington-Wall Street consensus bends in his or her own direction. That will generate an unusual reservoir of political strength seldom seen in American politics.

Like any genuine populist, the president would be a plain talker who exudes a palpable kindness, civility, and tolerance. He or she is likely to joke around a lot. An edge of genteel coarseness should endear the core constituency while engendering trust in those long suspicious of the sanitized good manners of the usual White House inhabitant. A blend of economic and cultural populism will make an appealing candidate for minorities and high-school-educated whites. Motivated by a real concern for the next generation, the president's popularity will remain strong, particularly with Gen-Xers and the elderly. A commitment to the baby boomers, from which he or she will doubtless emerge, should keep the president in good electoral shape for two full terms while paving the way for a successor to pursue any still-pending portions of the agenda. As a populist, this leader would be a genuine citizen-politician, someone elected not because he or she seeks office but because holding office is essential to enact the changes proposed. Once that's accomplished, our man or woman would happily head back home.

Chapter Two
Reform or Rebellion?

> A non-violent revolution is not a program of seizure of power. It is a program of transformation of relationships, ending in a peaceful transfer of power.
>
> Mahatma Gandhi

I propose here an idea that some will find outlandish, particularly (as I write this) in the midst of the longest sustained stock market boom in history. The notion is this: Our democracy requires a revolution. Dramatic and fast-widening economic disparities suggest it's time that we again listen to Gandhi and to his followers such as Dr. Martin Luther King, Jr., who argued that for civil rights to be effective, it must have a counterpart in the domain of economic rights. King was assassinated soon after he began to shift his attention from civil rights and racial segregation to economic injustice with a focus on the Poor People's Campaign. He understood that, absent economic justice, we will never achieve what he called our beloved community. Gandhi also understood; he saw revolution as a change in relationships and a shift in power back to the personal and to communities. Echoing Thomas Jefferson from a century and a half before, he reminds us why unresponsive governments are much improved by an occasional encounter with rebellion.

Dr. King's peaceful but persistent revolution worked wonders for democracy, freeing both blacks and whites from the bondage that undermines democracy when some are denied their civil rights. Today's wrenching inequality and frightening environmental trends suggest that it's time we again demand, an end to injustice. Indeed, I argue that rebellion is the only rational course and that today any realist must be a revolutionary. I don't mean armed rebellion in the streets—though the Framers would warn us not to rule that out. I mean revolution in the sense that evolution in the natural sciences occurs in fits and starts, progressing with long stretches of stability punctuated by periods of abrupt, even eye-popping change. Dramatic and rapid reform of the rules is now the only sensible course if we are to rescue our democracy.

Peer through the blizzard of ticker tape celebrating a rising stock market, and you'll see that the crowds lining the street are remarkably thin. Look closer, and you'll find that the parade is largely a charade. The real party is going on upstairs in a series of small, private rooms. In 1982, inclusion on the Forbes 400 list of the richest Americans required personal wealth of $91 million. The list then included 13 billionaires. By 1999, $625 million was required for inclusion on a list that included 268 billionaires.[1] While the number of households expanded 3 percent from 1995 to 1998, the number of households worth $10 million or more grew 44.7 percent.[2] Eighty-six percent of stock market gains between 1989 and 1997 flowed to the top 10 percent of households, whereas 42 percent went to the most well-to-do 1 percent.[3] Moreover, from 1983 to 1998, only the top 20 percent saw any appreciable increase in their income, whereas the middle class, if they lost their jobs, had enough savings to maintain their standard of living for just 1.2 months (thirty-six days), down from 3.6 months in 1989.[4] In *Luxury Fever* (1999), economist Robert Frank reports that the top 1 percent captured 70 percent of all earnings growth since the mid-1970s.[5]

Some party. Some parade—viewed by most with their noses pressed against the window as they watch confetti showers of cash engulf the few.

Trickle-Up Economics

Not since 1929 have the disparities in U.S. wealth and income been so wide. You will be dismayed at what you read. Alarmed also—perhaps even outraged. I hope so. "Ye shall know the truth," Aldous Huxley warned, "and the truth will make you mad." Yet that anger, I suggest, is a mask for sadness. For me, the trends evoke anguish at the inhumane impact of human forces, largely financial forces, that we've unleashed in the world. If we are to have a democracy, we must have reform. Either that, or our democratic conscience *requires* of us rebellion. Consider these facts:

- The combined net worth of the Forbes 400 was $1 trillion in September 1999, an increase from $738 billion just twelve months earlier. That works out to an average one-year increase of $655 million *each* for those who were already the nation's richest ($12.6 million per week).[6]
- Less than one-fifth of that increase ($48.4 billion) would have been enough to bring every American up to the official poverty line while still leaving each of our four hundred most-favored citizens with an average one-year increase of $534 million ($10.2 million per week).
- *Business Week* reports that in 1998, the average large-company chief executive was paid $10.6 million, a 36 percent jump over 1997.[7] That omits stock options that executives haven't yet exercised. That's a huge omission. Compensation expert Graef Crystal identifies five CEOs who each saw their wallets widen by more than $232 million in 1998. That works out to $116,000 per hour.
- In New York, the highest-income 5 percent of families gained nearly $108,000 between the late 1970s and the late 1990s, while the lowest-income 20 percent of New Yorkers lost $2,900 per family.[8]

You will search in vain for some rationale for these results. There isn't one. In no way are these results plausibly related to economic or social contribution. In 1998, the chief executive at Chrysler was paid 27 times that of the CEO at Volvo, yet Chrysler's net income was only 2.5 times that of Volvo. Colgate-Palmolive's CEO was paid 22 times as much as Unilever's, even though Unilever's net income was 6.6 times as large. Executive pay rose an average 481 percent from 1990 to 1998, while corporate profits rose 108 percent.[9] That's seven times faster than wage growth on the factory floor. When Daimler acquired Chrysler in May 1998, the European company realized that Chrysler's number two executive made more in one year from salary, bonus, and stock options than the top ten Daimler executives combined.

In 1998, Jack Welch, CEO of General Electric (GE), pocketed $86.3 million, making him the nation's sixth-best-paid employee. If his pay package were represented by the Empire State Building, how tall would the buildings representing other GE employees be? Eight inches. Had the typical worker's pay risen in tandem with executive pay, the average production worker would now earn $110,000 a year and the minimum wage would be $22.08. Turn-of-the-century financier J. P. Morgan, no stranger to greed, insisted that no executive should make more than twenty times what an average employee makes. Peter Drucker argues that a difference of more than fifteen to twenty times poisons the workplace and undermines productivity. Nevertheless, in 1998, Disney CEO Michael Eisner received a pay package totaling $575.6 million, 25,070 times the average Disney worker's pay.[10] How tall would the buildings of Disney employees be? Just over an inch. Yet despite the astronomical salaries of these CEOs—suggesting astronomical skills—corporate spending on consultants has increased by a factor of forty-four just since 1980, to $89 billion. Of that money, 60 percent is spent in the United States, where at sizable companies, there's now one consultant for every two executives.[11]

Of this I'm certain: Any system that makes it easier for a Bill Gates to amass another $50 billion than it does for a single mother to get $500 ahead of her bills (while trying to raise the next potential Bill Gates) is buying a lot of hogwash about the value of the contribution made to this nation by the superrich. And about the workability of a democracy that celebrates appropriation of this nation's prosperity by so few. Yet I've heard critics claim that my even raising this sensitive issue is the first step toward the Gulag. Far better, I'm told, if we focus instead on so-called social issues.

There's certainly ample precedent. In the 1920s, the issue evaders of that era insisted that alcohol was more important. So we amended the Constitution to prohibit it. And then amended it to permit it. That diversion allowed the Gilded Age to proceed unchecked—until it crashed. Today's masters of distraction urge that we do the same thing. They would have us deal instead with the dangers posed by flag burning, apparently hoping we'll wrap ourselves around yet another nonsensical, time-consuming congressional debate. Instead of the Anti-Saloon League, we now have the right-to-life missionaries. Instead of vilifying the town drunk, we have Murphy Brown and the welfare queen. What about fast-widening economic disparities, environmental devastation, and the powerfully fragmenting forces of modern economic life? Too sensitive. Too difficult. Too complex. Just cut taxes instead. After all, that's the only issue that *really* counts. Keep it simple. Don't worry, the market will sort it all out. Just give it more time and a little longer leash. Although I understand the allure of such simplistic, single-issue politics, we can no longer afford to coddle those policymakers who are unable or unwilling to confront today's complex problems.

The World Is Not Enough

What's the point of prosperity in a democracy? Is it a success no matter who reaps its benefits? Apparently so. If the value of the Microsoft stock owned by Bill Gates continues to grow at the same torrid pace as it has since Microsoft's 1986 initial public offering (58.2 percent a year), he will become a trillionaire ($1,000 billion) in March 2005, at the age of forty-nine, and his Microsoft holdings will be valued at $1 quadrillion (that's a million billion) in March 2020, when he turns sixty-four.[12]

Or is prosperity an opportunity for widespread economic advance and social accomplishment?[13] Apparently not. Today's rules are clear: Malting the already-rich endlessly richer is now the best use to which our expanding prosperity can be put. That's what today's policymakers have concluded. How much is a million billion? The 1998 gross world product was just $39,000 billion (less than 4 percent of a million billion). In May 1997, the journal *Nature* concluded that the planet's ecosystems provide a range of environmental and resource services worth $33,000 billion each year.[14] If that amount were capitalized using the interest rate paid on U.S. treasuries, that puts the value of all creation at about $500,000 billion, one-half Bill Gates's projected net worth in 2020.

What does our expanding prosperity look like from the perspective of the nonrich?

• From 1983 to 1997, only the top 5 percent of U.S. households saw an increase in their net worth, whereas wealth declined for everyone else.[15]

• According to the U.S. Census Bureau, today's record-breaking inequality means that the top fifth of households now claim 49.2 percent of our national income, whereas the bottom fifth get by on just 3.6 percent.[16]

• In the same year (1998) when one American (Gates) achieved the dubious distinction of amassing more wealth than the combined net worth of the poorest 45 percent of American households, a record 1.4 million Americans filed for bankruptcy.[17] That's seven thousand bankruptcies per hour, eight hours a day, five days a week.[18] The pace is poised to quicken as household debt (figured as a percentage of personal income) continues to rise from 58 percent in 1973 to an estimated 85 percent in 1998 (personal bankruptcies totaled 1.3 million in 1999).[19]

How does today's prosperity look from an environmental perspective? Meteorological announcements that "this is the hottest year in history" are now routine. Eight of the ten hottest years on record were recorded in the past ten years (the 1990s were the warmest decade in a century of record keeping). Spring now arrives a week earlier than in 1970. In 1999, for the first time in recorded history, Chicago had no snow in November.

Escalating losses from severe storms, droughts, and floods are sending shock waves through the insurance industry, including a 318-mile-an-hour Category 5 tornado that terrorized Oklahoma in April 1999 and a Category 4 hurricane ("Floyd") that threatened the eastern seaboard in September. During the first ten months of 1998, weather-related damage caused $90 billion in losses worldwide. That's more than the entire decade of the 1980s, when damage averaged $2 billion per year. In December 1999, Western Europe suffered the ravages of the worst windstorm in a century.

Biodiversity is declining dramatically, according to a 1999 report by the U.S. Geological Survey, the first-ever large-scale assessment of the nation's heritage of natural resources. The report cited as the primary causes urbanization, conversion of wetlands to agriculture, draining of wetlands for development, and the fragmentation of forests.[20] From 1992 to 1997, land was converted to development at the rate of 3 million acres per year (6 acres per minute), more than twice the rate from 1982 to 1992. In the Pacific Northwest, 83 percent of the region's old-growth Douglas fir is gone, along with 75 percent of coastal rain forests in Washington State and 85 percent of California's old-growth redwoods.

According to the UN Environmental Program, the world water cycle probably cannot cope with demands in the coming decades. The organization also asserts that land degradation has negated many advances made by increased agricultural productivity, that air pollution is at a crisis point in major cities, and that global warming is now inevitable.[21]

Preserving the Magic While Spreading the Prosperity

The principles of free enterprise are sound: private property, innovation, rewards linked to risk taking. What must change is the ideology that would have us limit the reach of prosperity that free enterprise can achieve. The question is no longer whether capitalism will prevail. The relevant question is *what sort of capitalism* do we mean to have? We can continue to do nothing. There's ample precedent for that. Inactivity is a choice in favor of a capitalism that remains highly exclusive and indifferent to its social and environmental effects. Or we can embrace a more inclusive capitalism, both modern and responsible, in which factors in addition to finance influence economic decision making.

The rules governing capitalism can change. As counsel to the Senate Committee on Finance during much of the Reagan-Bush era, I saw firsthand how dramatically they can change. That, too, is part of the creativity available in a free-enterprise democracy—we can change the rules. The same laws we amended then to make the rich richer could have encouraged broad-based ownership and widespread prosperity. Instead we wrote the rules in a way that was guaranteed to make an exclusive system dramatically more so. To my knowledge, I am the first insider to document the policy decisions that fueled that deficit-laden, rich-get-richer era.[22] Although rewriting the rules to create an *inclusive* capitalism may temporarily pinch the wingtips of the nation's most well-to-do, that's a price that must be paid. The changes proposed here are essential to ensure an equitable and sustainable system in place of one that's presently neither.

Let me be candid about my intentions. This is a populist challenge to our perilously complacent leadership. This book is a call to action to move us toward a more authentic form of democracy. It's addressed to those who are fed up and to those ready to wake up. And to those who sense that the current rules are unfair, unworkable, and unsustainable. They're right on all three counts. It's also about how to aspire grandly, and how to convert your personal longing into a collective dignity joined to an achievable level of real prosperity. We need only write the rules with those goals in mind. Though you may be pessimistic about the prospects for such a future, particularly as you ponder today's horrific trends, it's essential that we move rapidly into a post-pessimist period because there's much yet to be done and little time to do it. The 2000 election is upon us. With a new president to be elected, control of the House and Senate hinging on a margin of six seats each, the make-up of the Supreme Court in the balance, redistricting for the 2000 census under way, and political fund-raising at an all-time high, the political stakes just don't get any higher.

Prosperity Hijacked and Leisure Denied

Real change requires a real populist presidential candidate with sufficient courage and candor—and enough love of democracy—to insist that we reverse the current trends. Frankly, that seems unlikely. The word *courage* is taken from the French *coeur,* for "heart." The future of democracy may well depend on whether this election season—or the next—evokes a candidate with sufficient heart to fight these divisive forces and restore to free enterprise some semblance of fairness and ecological common sense.

Yet there's also much more at stake. Writing six decades ago in his "Economic Possibilities for Our Grandchildren," British economist John Maynard Keyn.es foresaw that labor-saving advances, what he called technological unemployment, would outpace the rate at which we could find uses for human labor. His forecast has born fruit, as the world's two hundred largest corporations now account for 28 percent of global economic activity while employing less than one-quarter of 1 percent of the global workforce.

As a result of steady advances in human ingenuity and design, he predicted, "This means that the economic problem is not, if we look into the future, the permanent problem of the human race." Rather than today's ongoing struggle for survival and economic security, we should by now be focusing (in Keynes's words) on "how to live wisely, agreeably and well." Instead, we've become steadily less secure and frantically more overworked as we've allowed a few to monopolize the nation's leisure by monopolizing the prosperity that makes leisure affordable. Surely that must rank among the most inhumane of acts in a century that will long be remembered for its many episodes of extraordinary inhumanity. Although the current results confirm the profound lack of a functioning democracy, they should also give us hope because today's results reflect the policy environment—and that environment can be changed.

Richard Goodwill, former special counsel to President Kennedy, argues that Bill Clinton and Al Gore abandoned the Democratic Party to keep themselves in office and, thus, the American majority nolonger has a party.[23] That charge may be a bit harsh given the political choices they faced in the wake of the 1994 election blowout and ascendancy of the Newt Gingrich brand of radical-right conservatism. Yet regardless of whether Goodwin's claim of a political sellout is fair (I agree with him), the votes are there to put a genuine populist in the White House, as I will show. But that requires the emergence of an uncommonly courageous, even audacious candidate willing to address the challenges we face. Absent that, I fear for our democracy because today's centrist candidates—of both major parties—are clueless when it comes to the central issue: how to lead us back from a fast-emerging plutocracy to a robust and ecologically attuned democracy. Should the 2000 election proceed without the presence of a viable populist alternative—as seems likely—we must face the prospect that our democracy has become truly dysfunctional. That's why I show here how we can—and must—begin the task of restoring democracy by taking free enterprise back from those who would reserve it for themselves. And from those holding elective office who support them in that design.

Bread-and-Circus Politics

To lay the foundation for what follows, I offer below another "data dump" to indicate just how far we've traveled down the wrong road. Notice how curiously absent these facts are in today's political debates.

• In 1997, 142,556 people reported an adjusted gross income of $1 million or more, according to the Internal Revenue Service (IRS). That's up from 86,998 people for 1995.[24]

• In 1999, the Congressional Budget Office (CBO) indicated that the top 1 percent of income earners had an average be-fore-tax income of $786,000 and an average after-tax income of$516,000.[25]

• In 1998, 9,257 new and existing homes sold for $1 million or more. That's triple the number of million-dollar homes on the market in 1995. Annual mortgage interest payments on a newly purchased $1 million home total $79,247 (assuming 10 percent down and a thirty-year adjustable rate mortgage at 8 percent),[26] The home mortgage interest deduction for those in the top 39.6-percent tax bracket saves on that house $31,382 a year in taxes. When that saving is added to the $40,000 average annual tax cut allowed the top 1 percent since 1977, a $1 million house is all but paid for, leaving only $7,865 per year in outlays or $655 per month—barely enough to rent a one-bedroom apartment here in Atlanta.

• For every age group under fifty-five, home ownership remains below where it was in the early 1980s.[27]

• The after-tax income flowing to the middle 60 percent of households in 1999 is the lowest recorded since 1977. Among the bottom fifth of households, average after-tax income fell 9 percent from 1977 to 1999.

• The percentage of black households with zero or negative net worth (31.3 percent) is double that of whites.[28] As of 1997, the modest net worth of white families was eight times that of African Americans and twelve times that of Hispanics. The 1997 median financial wealth of African Americans (net worth less home equity) is $200, whereas that of Hispanics is zero.[29]

• The poverty rate among blacks, 26.1 percent, is 2.5 times greater than the rate for whites. For Hispanics, the rate is 25.6 percent.

• During the first quarter of 1999, for the first time since the Depression, the national savings rate turned negative.[30]

• If the richest 1 percent of the population were receiving the same share of after-tax income in 1999 as it did in 1977, it would have received $271 billion *less* in income in 1999—$226,000 less per household.[31]

• Congressional tax cuts targeted at the well-to-do mean that between 1977 and 1999, the *after-tax* income of our richest 1 percent actually grew faster (115 percent) than their *before-tax* income (96 percent).[32]

With help from an oddball assemblage of politicians, pundits, and academics, we've been seduced to think that the era of class conflict is over. Think again. We can't move beyond class-based politics until we remedy the structures that cause it. It's inconceivable that those who crafted the Declaration of Independence would pledge "their lives, their fortunes and their sacred honor" to create a system conducive to such social division. They knew it's impossible for a democracy consisting of political equals to survive alongside an economic oligarchy. Their intention was to resist the "economic royalists," not to condone, coddle, encourage, and celebrate them. They knew better. They warned that democracies must be ever vigilant in their opposition to what Jefferson and James Madison called "monarchial tendencies." Those tendencies are alive—as shown in Washington's insistence that we focus on bread-and-circus social issues so that we'll think there's a substantive debate ongoing in Congress. Or that matters of real importance are at issue between the Republican Congress and Democrats in the

White House. Or in the race for the White House. To debate while saying nothing of significance has become a modern political art form. Meanwhile, issues of real, intergenerational substance remain well outside the sphere of consideration. Writing in *The Hungry Spirit,* British business philosopher Charles Handy puts today's leadership challenge in perspective: "Cathedrals inspire. Those who first worked on them knew for certain that they would never see them finished. We may not need any more cathedrals but we do need cathedral thinkers, people who can think beyond their own lifetimes."[33]

But What About the Booming Economy?

Defenders of the laissez-faire faith assure us that times have never been better: record-low employment and record-low inflation, along with a record-high 43 percent participation in a record-high stock market. A current best-seller predicts a 36,000 Dow. Another predicts 40,000. Yet another, 41,000. Even 100,000.[34] And, to top it off, the United States is enjoying a budget surplus for the first time since Lyndon Johnson occupied the Oval Office. In U.S. politics, it's long been a truism that "prosperity swallows up all criticism." Yet what we have today is the *perception* of prosperity. It's a thin veneer of prosperity, an illusion for most. Any objective assessment confirms that it's mostly optics.

Although unemployment, at 4.5 percent in 1998, was at its lowest level in decades, wages barely budged for the decade. The U.S. Census Bureau reports that the pretax median income was just $1,001 higher in 1998 than in 1989. For the entire decade of the booming 1990s, that's an average annual raise, adjusted for inflation, of $111.22, or a meager 0.3 percent. Meanwhile, income inequality climbed dramatically throughout the 1980s and early 1990s, holding roughly constant since 1994, locking in economic disparity at a record-high level.[35] Yet even that overstates the rise in living standards, because working hours steadily expanded from 1989 to 1998. Working hours reached 3,149 in 1998, roughly 60 hours a week for the average family, according to an analysis of census data by the Economic Policy Institute. That moves us into first place in the number of hours worked, surpassing even the workaholic Japanese.[36] "Finally we have *stemmed the tide* of rising inequality," Bill Clinton crowed in 1999, shining the best possible political light on these disturbing trends.[37] Not reversed it, mind you. Nor addressed it.

Amid today's widespread financial insecurity, is it truly an astute monetary policy that keeps a lid on inflation? More likely it's the stark terror of those afraid to press for a raise for fear of losing out on a steadily shrinking pool of middle-class jobs even as the official unemployment numbers hovered around a record-low 4.3 percent for much of 1999. Downsizing and "right-sizing" continue to take their psychic toll, silencing many who might have complained about stagnant pay, longer work hours, and deteriorating working conditions. Further down the income ladder, we find those resigned to the realization that they're stuck; no matter where they turn, they're locked into a very narrow range of low-wage jobs, largely in the service and hospitality industries. How do those struggling to cope with this "boom" describe it? With brutal candor: "You can always get a job but you can't always make a living."

Poverty and Prosperity

Meanwhile we continue to pretend that poverty in the United States is like ice that melts in the sun of overall economic growth. Nothing could be further from the truth. Census data confirms that recent declines in the poverty rate are a result of its decrease in the South with no change to speak of elsewhere except in the West, where it's on the rise. The South has long been a magnet for companies interested in moving their operations to a region (predominantly nonunion) where a large percentage of the population earns the minimum wage and thus benefited from modest increases in the minimum wage in 1997 and 1998. A forty-hour week at the 1999-2000 minimum wage ($5.15 per hour) nets a pretax annual income of $10,300. That's

$6,355 below the 1998 poverty line for a family of four. Had increases in the minimum wage merely kept pace with inflation since the 1960s, the minimum would now exceed the earnings of nearly 30 percent of U.S. workers.[38] Does that sound like a boom?

Yet even these figures fail to portray the true picture. The current poverty formula was created for Lyndon Johnson during his War on Poverty. Except for inflation adjustments, it remains unchanged since 1965. The formula is geared to what was then required to address severe deprivation by providing barely sufficient nutrition and then only if "the housewife is a careful shopper, a skillful cook and a good manager who will prepare all the family's meals at home."[39] Facing widespread concern that the standard is out of date, the Census Bureau proposed experimental measures in July 1999, raising the poverty threshold to $19,500 for a family of four, well below the $21,000 to $28,000 that most experts agree is required not only to survive but to preserve a reasonable amount of self-respect. This political hot potato is already an orphan, particularly now that the Washington consensus took credit for a 12.7 percent poverty rate in September 1999, the lowest level in a decade. Raising the threshold to $19,500 boosts the poverty rate to a more realistic 17 percent, confirming that 46 million Americans scrape by on an income that fails to meet even that minimal level.

Ignoring the Fiscally Obvious

As for today's alleged budget surpluses, for the first time ever, White House budget projections extend over an impossible-to-predict fifteen years, even though everyone in Washington knows that any forecast beyond two or three years is mischievous malarkey. Though such ephemeral projections are innately irresponsible, they gained for Bill Clinton and Al Gore the political cover needed to propose costly changes in Medicare while also appearing to close the deficit. And they allowed congressional Republicans to propose yet another round of tax cuts, this time a $792-billion rich-get-richer giveaway sent to the White House for a certain veto in September 1999.[40] That political charade—akin to Oriental shadow boxing—follows in the wake of these joined-at-the-hip parties embracing in 1997 a nonsensical Balanced Budget Act. The act promised that unspecified categories of federal spending would be slashed by what everyone knew was an impossible 20 percent. At legislated fib encouraged budget estimators to consider this nonsensical assurance in their assumptions.[41]

Rosy-scenario economic projections are something to which we became accustomed during David Stockman's stint as budget director under Reagan. Stockman all but conceded that his phony figures were a backdoor ruse to de-fund the public sector. He was confident that the Reagan-Bush tidal wave of red ink would crowd out federal spending that Republicans lacked the votes to kill in Congress (events proved him correct). At least his figures were subject to debate on a range of shifting assumptions about the real world of economic growth and other influences. But rosy *legislative* assumptions are simply deceitful attempts to play the system for political gain. They bring to mind comedian George Carlin's quip that *bipartisan* usually means that some larger-than-usual deception is being carried out.

What legislators and budget estimators ignore is easily the most fiscally ruinous fact of all: inadequate assets accumulated by 76 million baby boomers, voters all. If they outlive their nest eggs, which are modest and shrinking, the economy will face a momentous fiscal shock. The boomers' combination of retirement-age insecurity and demographic political clout could generate wrenching demands on the rest of the country, converting any hoped-for, hyped-up surplus into a real and debilitating deficit. Though in their youth the boomers advised, "Don't trust anyone over thirty," they may soon adopt a new motto: "Don't mess with anyone over forty." What's brewing is a boomer backlash that's poised to make mincemeat of today's naively flush fiscal projections.

Meanwhile, the politically nimble Clinton-Gore team proposed a lockbox approach to deficit reduction, insisting that any surplus be applied to "Save Social Security"—even though many experts agree that surpluses have no effect on Social Security's health and that, indeed, no surplus may exist beyond what social security brings in. Never mind. The proposal was deemed politically brilliant by Washington's pundit-elite because a Democratic president, displaying keen fiscal conservatism, again preempted Republican calls for a tax cut. Influenced by six years of coaching from Treasury Secretary Bob Rubin, the Wall Street bond trader, die Clinton-Gore administration became staunch fiscal conservatives, their political antennae tightly attuned to financial markets. The problem, of course, is that this stance also means we either punt on needed public investments or call for new taxes to pay for them—which is madness when our fiscal cup runneth over. That brilliance may have fitted us for an even tighter fiscal straitjacket than during the Reagan-Bush era (witness Al Gore's attack on Bill Bradley when he proposed health-care reform similar to what Clinton offered in his first term).

What about the so-called largest intergenerational transfer of wealth in history—more than $12 trillion—that will take place from now until around 2020, as the World War II generation dies off and leaves its assets to the boomers? Don't hold your breath. The benchmark study by economists Robert Avery and Michael Rendall found that one-third of that transfer will go to 1 percent of the boomers ($1.6 million each), whereas another third will go to the next 9 percent ($336,000 per person). The final slice will be divided by the remaining 90 percent (an average $40,000 apiece).[42]

What about the oft-claimed trickle-down benefits of this booming economy? Between 1983 and 1997, "there has been almost no trickle-down of economic growth to the average family," says New York University professor Edward N. Wolff. "Almost all the growth in household income and wealth has accrued to the richest 20 percent. The finances of the average American family are more fragile in the late 1990s than in the early 1980s."[43] Nine years into the longest economic expansion in die nation's history, labor's share of the national income remains 2-4 percent below the levels reached in the late 1960s and early 1970s.[44]

By the standards of any functioning democracy, these disturbing and fast-accelerating trends would be addressed as a national crisis deserving even a special session of Congress devoted to Grafting a cure. Not so. At least not by the standards of the two reigning U.S. political parties: the Demopubs and the Republicrats. Neither mentions it. Both are firmly in denial, eloquent in their silence as they concentrate on partisan positioning rather than corrective policy. Among today's policymakers, these matters are simply of no concern. Leadership-wise, mediocrity reigns supreme while uninhibited selfishness and wanton greed roam the land, disguised as personal freedom, even liberation, as today's cramped view of freedom pushed democratic responsibility into the shadows.

A Global Tragedy Unfolding

Although the domestic trends are unsettling, it's equally troubling to realize the impact of our leadership on other countries. As the world's mentor free-enterprise economy and chief cheerleader for fair-play-via-laissez-faire, the United States should not be surprised that identical trends are emerging worldwide, where, as here, practically no one dares mention it. Although certain developments are hopeful, others are horrendous.

Lest we become unduly disheartened, it's important to acknowledge that global capitalism has lifted living standards in many places—improving nutrition, broadening education, and lengthening life spans. In the 1950s the average woman bore 6 children, whereas in the 1990s she bore only 2.9. In the rich countries, birth rates are already below the replacement rate. Child death rates have fallen by half since 1965; a child born today can expect to live a decade longer than a child born then. Fifty years ago, *28* percent of children in developing countries died before age five; that's been reduced to 10 percent. Adult literacy rates continue to rise, from 48 percent in 1970 to 70 percent in 1997. Plus, more than 70 percent of the world's people now live under fairly pluralistic democratic regimes.[45] Yet these positive trends mask an unevenness that confirms widespread deprivation and fast-widening inequality. If as a nation we fail to address these trends, we risk becoming a caricature, a seedy barker for all that occurs, whether benign or malign, in a free-enterprise circus in which democracy is often on display but seldom demonstrated. Consider the following signs of fast-widening worldwide economic inequality:

- The assets of the world's eighty-four richest individuals exceed the GDP of China, with its 1.3 billion people.[46]
- In Indonesia, 61.7 percent of the stock market's value is held by the nation's fifteen richest families. The comparable figure for the Philippines is 55.1 percent and for Thailand 53.3 percent.[47]
- In 1960, the income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 30 to 1. By 1990, the gap had widened to 60 to 1. By 1998, it had grown to 74 to I.[48]
- With global population expanding by 80 million each year, World Bank President Jim Wolfensohn cautions that unless we address this "challenge of inclusion," thirty years hence we will have 5 billion people living on less than *$2* per day.
- The UN Development Program reports that *2* billion people suffer from anemia, including 55 million in industrial countries. Current trends in population growth and prosperity hoarding suggest that in three decades, we could inhabit a world where 3.7 billion people suffer from anemia.

These interrelated phenomena led UN development experts to conclude that the world is heading toward "grotesque inequalities" and to offer this sobering appraisal: "Development that perpetuates today's inequalities is neither sustainable *nor worth sustaining."* [49] Though our laissez-faire-obsessed economists predicted that globalization would lead to economic convergence, the past decade witnessed a steady increase in the concentration of income, resources, and wealth as ever more people got stuck in living standards just one notch north of survive.

It's generally agreed that six core ingredients are essential as minimal conditions for the flowering of human potential: safe drinking water, adequate sanitation, sufficient nutrition, primary health care, basic education, and family planning services for all willing couples. Sadly, these six core ingredients are lacking in much of the world. For example, the UN has reported that 1.3 billion people lack access to clean water, and one in seven primary-school-age children is out of school.[50]

How much would it take to provide the six essential ingredients? The UN Development Program calculates the cost at about $35 billion each year for fifteen years. That's about what the United States spent in 1999 to maintain its nuclear readiness, a decade after the fall of the Berlin Wall. If the world community were to bear the cost, it would total one-seventh of 1 percent of global income.[51] By comparison, every jet fighter sold by a developed country to a developing country costs the schooling of 3 million children.[52] The cost of a submarine denies safe drinking water to 60 million people. Though the Cold War may appear to have ended, it is far from over in the Third World.

What if those individuals who most benefit from the global economy were to bear the cost of providing the six essentials to all the world's population? An annual 3.5 percent levy on the $1 trillion in assets owned by the world's two hundred richest people (whose 1999 average individual wealth was *$5* billion) would raise the requisite $35 billion. The UN Development Program indicates that three-quarters of those suffering from *affluenza* live in the 29 OECD (Organization for Economic Cooperation and Development) countries; 60 reside in the United States.[53] Imagine if the international community identified the $8 trillion in outlaw wealth sloshing around the world's tax havens in an estimated 1.5 million offshore corporations (up from 200,000 just since the late 1980s). An annual "freeloader levy" of just 3.5 percent (less than the typical sales tax) would generate $280 billion. That's 165 times the annual budget for UN development programs. Or 93 times the UN's annual expenditure for peacekeeping operations, now raised pass-your-hat style. That's enough to build 140,000 schools at $2 million apiece. That's also the bulk of the $300 billion that environmental researchers at Cambridge and Sheffield Universities report would be required each year to "save the planet."[54]

Tomorrow's Mothers

Globalization will not be reversed, because it's driven by advances in information technology and telecommunications that simply will not be undone. Yet the way globalization is proceeding invites instability, even insurrection. The trends also suggest a lingering inhumanity at large in the human community—a miserable and miserly self-indulgence that cloaks itself in the morality of the marketplace. Today's geopolitical forces point to the continued spread of values that embrace the freedom of free enterprise. Yet those who most benefit from its spread are unwilling to embrace the morality of *enough.* The consequences of that self-absorption threaten to overwhelm the adaptive capacities of societies around the world while also laying waste to the natural world. These pages bear witness to the reservoir of human pain, personal indignity, and ecological tragedy that accompanies continued denial and inaction by our elected leaders both here and abroad. The warning bell has been sounded. "It is a stupid society," Massachusetts Institute of Technology (MIT) economist Lester Thurow cautions, "that runs an experiment to see where its breaking points are." Or, as the elders of the Seneca tribe cautioned, "Every fire is the same size when it starts."

As another indication of how critical it is that these trends be addressed, consider the devastating impact on women and children:

- Eighty percent of the world's people live in developing countries.
- Ninety-five percent of the next generation's children will be born to women there.
- Seventy percent of those women live on less than $1 per day.
- Ninety percent of those women work as housewives who labor on average thirty-five hours more per week than the typical paid workman. None of their work is reflected in the GDP.
- Women in developing countries produce 80 percent of the food and receive 10 percent of the agricultural assistance.
- Seventy percent are illiterate.
- For every year that women attend school beyond the fourth grade, the birth rate declines 20 percent.
- Less than 1 percent of the world's assets are held in the name of women.

Poverty is not an abstraction; it's largely women and children in both developing and developed countries. Anyone who's traveled abroad has seen the phenomenon—the men sitting around the souks and the cafes with their coffee, cigarettes, and idle chatter while women toil the fields, haul the water, and do uncompensated "women's work" that includes raising the children and caring for their husbands. One of the most difficult and intractable elements in addressing poverty lies in die troubling reality that we live in a world where history's male/domina-tor model is all-pervasive. It's killing us, literally.

This prevalent mind-set poses one of the key barriers to any hope of a humane and sustainable future, yet it's little recognized and seldom discussed, particularly in those cultures where its operations are most apparent and its effects most cruel. As Riane Eisler argues in *Tomorrow's Children,* until "caring work" is compensated—in the sense of giving monetary value (versus psychological value) to that most essential of elements in any economy—it's difficult to imagine how we will lift the yoke of poverty from the backs of women and children worldwide." By compensation, I mean the sort of pay such that you can afford to eat with it or sleep under it.

Until caring work is seen as having genuine value, this divisive, even barbaric domination will continue to work its devastation on the poorest of the poor.

This is not meant as a put-down of men. Males have been educated and acculturated to differentiate themselves from women in ways too absurd for words. Nor is this a "women's issue." The issue is how to design humane and sustainable societies that give priority to human welfare and the quality of life.

The Duties of Wisdom

Gandhi once cautioned that "inaction at a time of conflagration is inexcusable." The agenda proposed here suggests that immediate action is required to head off conflagration. We face a crisis, yet no one wants to acknowledge it, much less address it. That's unacceptable. Tolstoy put it well: "Indifference to evil is violence." Although those are strong words, I suggest as a matter of conscience that we can no longer endure either the policies or the policymakers who brought us to this sorry state of affairs. The results chronicled above speak volumes for the callous indifference with which today's leaders have performed their tasks. Yet the demands of democracy require that we move quickly to get beyond dismay, alarm, and outrage to effective action.

I suggest here how to build support for reforms through the rollout of a nationwide education campaign. My initial goal, however, is to persuade you that we face a crisis whose full dimensions are not yet widely appreciated. You'll be astounded at the scope of what's at stake. I then invite your embrace of a formula for change that I propose for the First Hundred Days following the election of what I suggest *must* be a genuinely populist president. We cannot afford yet another administration that remains aloof from these troubling issues.

Any objective outsider (say, a man from Mars) would surely conclude that we're presented in 2000 with a curious political choice for an avowed democracy: two professional politicians who are sons of professional politicians—even a grandson of a politician in Dubya's case. If our visitor from afar were to study the dynamics of today's democracy, he would surely note that both candidates are cut from the same cloth. They even look as though they're auditioning to be each other's double—born and bred to run for public office purely for the sake of holding office without regard to whether that might make a difference in people's lives.

For a nation raised on the notion that anyone can aspire to be president, this matched pair of candidates must appear to our visitor peculiar indeed. Both are political heirs born to privilege, fortunately educated and exuding a sense of casual entitlement that makes their occasional rhetorical forays into populist terrain seem all the more bizarre, even otherworldly. Surely our extraterrestrial visitor would ask if both do not in fact embody just the sort of hand-me-down, antiegalitarian political legacy that most frightened the nation's founders—style without substance, experience without meaning, character but no core, keen observers with no discernible vision, a clear grasp of procedure but no clarity of purpose, ambition all out of proportion to their understanding, knowledge of the pieces but no appreciation for the patterns that count. In short, the visitor surely would want to know, are we being offered all flower but no fruit? Either would make an able caretaker president were this a time when the nation needs the illusion of leadership without progress. Though this is not such a time, a caretaker president may be what we choose again to endure.

Chapter Three
Killer Capitalism

> The tendency of contemporary liberal democracies to fall prey to excessive individualism is perhaps their greatest long-term vulnerability, and is particularly visible in the most individualist of all democracies, the United States.
>
> Francis Fukuyama

To make progress in this populist arena requires structural change. That can make people nervous. Sometimes I feel like a heretic in a land of true believers and recent converts. We can now see the clear outlines of tomorrow's version of capitalism. There's much not to like, at least not if we aspire to live in a robust democracy populated by political equals. Yet fundamental change goes against the grain of today's market-myopic economic model (it's difficult to imagine Dr. King calling his Poor People's Campaign the New Markets Initiative, a Clinton-Gore phrase). That's due to the remarkable success of a remarkably well funded political movement—disguised as an education initiative known as Law and Economics. The movement quietly, methodically, and effectively implanted today's purist market model in the minds of students, political leaders, business executives, and the judiciary. Originating at the University of Chicago, the campaign remains largely invisible, though I will chronicle some of its many successes.[1] Several deep-pocket individuals and well-funded foundations (Bradley, Joyce, Olin, Smith Richardson) provided generous support, including the publication of hundreds of the movement's books and generous payments to journalists to attend their seminars.

I consider one of its early victories a 1976 Supreme Court case *(Buckley vs. Valeo)* forbidding any restriction on how much of their own money political candidates or their supporters can spend, concluding that *spending is itself a form of political speech* entitled to protection by the First Amendment to the Constitution. However, the court upheld federal limits on contributions that congressional candidates can accept from others, agreeing that limits are justified to safeguard the integrity of the election process.[2] As we'll see later, that decision ensured the plutocratization of U.S. politics as the well-heeled and the financially well connected were guaranteed an advantage, and as ownership of our once-democratic media outlets shifted into fewer and fewer hands.

In a land of political equals, Steve Forbes is more equal than most. In a world of the free press, media baron Rupert Murdoch is considerably more free than most. The partnering of money and democracy has long been an uneasy one. We continue to struggle with how to draw the line between the Constitution's *absolute* guarantee of free speech and the fairness implied by our commitment to political equality and open debate. Cynicism is assured when you see both political parties announce in the summer of 1999 their intention to raise over $200 million in soft money for the 2000 presidential campaign.[3] There's no limit on the amount of such donations so long as the money is used for party building, issue ads, or other independent campaigns. Those fall under the protection of the First Amendment. By October 1999, the Federal Election Commission was projecting that the major parties would raise at least $525 million in such "free speech" money, more than double the amount in 1996. Campaign spending is on track to top $3 billion for 2000, including $1 billion raised for congressional elections.[4]

Anyone yearning to reflect on the latest rendition of Law and Economics can reliably turn to the editorial page of the *Wall Street Journal,* where, for instance, in July 1999, these outspoken advocates of dollar-based democracy argued that those with "lots of money to throw into a contest" ought to do so with the goal that they might "alter the contest itself." Why? Because "this, of course, is precisely what the founders of the American system meant by a free society."[5]

In bowing out of her anticipated bid for a Senate seat in September 1999, Christine Todd Whitman, New Jersey's popular Republican governor, conceded that her decision was prompted by the prospect of raising funds to oppose potential challenger Jon Corzine, former chairman of Goldman Sachs, whose estimated $300 million in personal net worth instantly made him an electoral powerhouse despite being an admitted newcomer to politics. What possible credibility could New York's egocentric real estate developer Donald Trump have as a presidential candidate? Answer: a personal net worth that *Forbes* estimates at $1.6 billion ("The Donald" claims that it's closer to $4.5 billion). In today's merger of politics, money, and entertainment, his monetary worth is what makes him a player. Rich and clueless, but a player nevertheless.

The Roots of Money-Myopic Economics

It wasn't until I entered the congressional policymaking world in 1980 that the pervasiveness and the persuasiveness of today's Chicago-inspired Law and Economic model became clear to me. As a craftsman of federal pension law for seven years, I quickly found that our policymaking compass was routinely calibrated to the dictates of financial values. The phrase heard most frequently in committee debate was the need for a level playing field. The reason? So that financial capital could find its way in the world without the petty annoyances and vulgar distractions of public policy. Thus, for instance, because tax write-offs are allowed for the cost of employer-provided pensions, we now have $8 trillion-plus in the hands of pension trustees whose investment goals are limited to one goal: maximizing financial returns. Any tilting of the field for any other purpose remains a legislative no-no.[6]

The practical result of the Law and Economics movement was to dramatically narrow not only the boundaries of political debate but also the scope of policy options. That market-sanctifying model gradually forced to the periphery any doubters or naysayers as economic diagnostic creep became the rule and "economism" the official language of the faithful. Woe unto those who dared question whether the marketplace had exceeded its bounds. Or whether financial values had penetrated into domains where they did not belong. A political purgatory was reserved for those who challenged the anointed in their crusade to commoditize (and put a price tag on) all of creation. Amid that fervor, for anyone to suggest that ownership patterns might be less than optimal was viewed by some within the priesthood as a direct assault on the omniscience of The Market, certifying doubters as backsliders if not outright apostates. Ultimately, we were assured, "It" knows best. A clear victory for "It" was the 1986 passage of a Tax Reform Act in which we enshrined economism in a massive rewrite of the entire tax code (I was Senate Finance Committee counsel at the time). Bill Bradley claims the act as his primary legislative achievement (he was then a member of the Finance Committee). As of this writing, he's viewed as the liberal presidential candidate in today's version of the Democratic Party.

Although that effort eliminated some subsidies that no longer served their purpose (or whose lobbyists failed to prevail), it also marked the clear ascendancy of the market fundamentalists. Though their patron saint, Adam Smith, warned that markets make great servants but lousy masters (and, I argue, even worse religions), the Chicago clan remains united in their belief that the free-flowing forces of financial capital should be granted the final say. As a result, finance has gradually displaced policy (and even morality) as the currency of modern politics. Steadfast allegiance to this vision, I'm assured, provides a comfort that is best appreciated later, like that reassuring refrain from the old gospel song: "Further along we'll understand why." Meanwhile, the success of the Chicago elite's economic nostrums is reflected both in the distribution of wealth and income and in the impact on the environment. As the founders of this nation cautioned, we give shape to our institutions—and then they in turn shape us. We're both monkey and monkey grinder. That's how we came to the shape we're in.

Back from the Brink of Ideology

Democracy's turbulent history provides a painful reminder of the need to challenge any voice that claims universal validity for its values. Such grasping for power in a democracy can only *peacefully* be met by a more balanced analysis that combines respect for the narrow view with sensitivity to the much broader spectrum of values that comprises any well-functioning democracy. We've only just begun to understand how pervasively destructive are the trends set forth in earlier chapters. The devastation of these trends cuts a wide swath across every imaginable domain—social, fiscal, cultural, political, environmental. In combination, the results are stunning in scope and alarming in their implications.

The tortoise-like speed with which we're awakening to the source of the problem is easy to understand. In part it reflects the slow but steady pace at which today's finance-obsessed perspective has gradually gained influence in the policy arena. Also, it's difficult to evaluate the impact of that perspective when we've for so long lived it from the inside, steadfastly believing the market mantra that, yes, generating the best possible financial returns ensures the best possible results. Analysis is also hindered by the delay and sometimes the diffusion of the effects. Although many symptoms show up nationwide, others only touch us in ways that seem uniquely personal and even then may unfold quite slowly. In addition, our fierce independence—that true-grit loner lodged deep in America's John Wayne psyche—leads us to believe that the source of all our problems surely must lie within *us* instead of within the system. That confidence-sapping conclusion plays right into the hands of those who espouse the radical individualism that animates Law and Economics.

This chapter provides an overview of the human crises that our current economic model overlooks and our current leaders ignore. I also show that the root of our problems cannot be traced to a *single* factor, because the problems are blended in a stew of interwoven causes and conditions. Philosopher Buckminster Fuller cautioned that we avoid what he called "monological" thinking—the temptation to attribute cause to a single source. Yet although our problems have many sources, their common denominator is our use of a finance-myopic lens through which we evaluate our policy options. The temptation to view the full spectrum of life through that narrow prism explains why many of these emerging trends are dangerously antidemocratic and demonstrably unsustainable. Just as no illness arises in isolation, no remedy can be prescribed except in a broader context. Also, as you'll see, because none of these problems arose in a linear fashion, none can be solved except with a holistic response.

Crowding Out Caring

Imagine, for example, parents working, on average, an extra 4 $^{1}/_{2}$ weeks per year for the same or less pay as the work year steadily expanded since 19707 That puts enormous pressure on the time, resources, and incentives for the supply of caring labor.[8] Studies indicate that parents spend 40 percent less time with their children today than they did thirty years ago.[9] Marvin Olasky, guru to the "compassionate conservatives," simplistically argues that the sole culprit is high taxes.[10] Yet according to the Bureau of Labor Statistics, the typical American now works 350 hours more per year than a typical highly taxed European. That's almost nine full weeks. And that fails to account for the time that goes unlogged as many companies do an end run around labor laws by engaging people as independent contractors to avoid paying time and a half for hours they work over 40 per week.[11] Many companies, such as software firms, now emphasize project work, with hurry-up cultures focused on completion dates to finish, say, the latest CD-ROM. It's not unusual to hear of software developers putting in 80- and even 90-hour weeks. "We have become our projects," cautions management adviser Tom Peters. Nor do these computations take into account time spent in steadily lengthening commutes. Here in

Atlanta, the typical person now drives thirty-five miles per day, the highest commuter mileage of any city in the world.

So now we live in a nation learning to cope with the effects of a parenting deficit. We've long known that without enough care, children do not flourish. Without attention and stimulation, babies routinely languish, failing to reach their full potential. Without consistent nurturing from their families, kids underperform in school. How do we as a people recover from forgone parenting? What's the social cost of leaving children alone with today's television programming in a world where violence sells? Or with their choice of video games?

The high costs of outsourced parenting are only just now being tabulated. For instance, we know that young children bond with whoever is in their environment, regardless of whether it's a parent, a sibling, or a day-care provider. As a low-paid job, child care has an extraordinarily high turnover rate. We pay child-care workers less than we pay animal caretakers and parking-lot attendants. Thus, children experience a series of "bonding breaks" as they connect with one and then another in a string of typically part-time parent substitutes. Children who feel uncared for are more likely to grow up with an uncaring attitude ("No one cared for me"). Often that combines with a poorly developed conscience.[12] Upon hearing about two teenagers who killed their classmates and then themselves at Columbine High School in Littleton, Colorado, in April 1999, the first question a psychologist colleague asked was, "Were they raised in day care?"

The costs that accompany growing economic stress and financial insecurity are not always so apparent. For example, in 1999, the nation's three primary income security programs including Social Security, Medicare, and civil service pensions consumed $841 billion in federal tax revenues.[13] That's well before the first baby boomers begin to retire, and excludes 1999 medicare outlays of $143 billion. Meanwhile, Washington's General Accounting Office (GAO) found that the United States needs $112 billion to fix up the nation's dilapidated public schools. Forget about building any new ones; that's just to repair the old ones. There are relationships at work here that are easy to miss.

Consider this: A majority of our 42 million public school students cannot use computers, because, even if the nation's'87,000 public schools could afford them, most school buildings cannot accommodate them. Half lack adequate electrical wiring, while fully a third lack sufficient power. To force students into poorly equipped schools condemns them to a future of incapacity and mediocrity. There's no way we're going to sustain a high-tech, knowledge-based economy absent a high-quality education system.[14] Yet rather than prepare our children for the global information age, we endure rich-get-richer economic policies that ensure a crowding out of educational needs by the needs for income security.

As people catch on to today's economic reality, I anticipate outrage. Our current fiscal burden, with its huge and growing transfer payments, is akin to paying a budget-busting health-care bill for a makeshift medical procedure to remedy a condition that could have been prevented in the first place.

Unhealthy Societies

In *Unhealthy Societies: The Afflictions of Inequality,* Sussex University professor Richard Wilkinson documents inequality as a key psychosocial force that damages both physical and mental health.[15] We've known much of this for some time. Two decades ago, a study of 17,000 British civil servants found that the heart-attack fatality rate among clerks and messengers was four times that of more highly paid administrators. After weeding out such obvious explanations as differences in diet or smoking, it became clear that it was the intangible factors, such as control over one's life and a sense of security, that made the difference. Once income reaches a basic level, the standard of living becomes practically a nonfactor. British researchers also found that their largest gains in life expectancy came during the two world wars (among noncombatants), when income disparities were compressed as the need for national unity temporarily prevailed over the UK's traditional class divisions. Eighty percent of the most common causes of death, Wilkinson found, are 80 percent more likely to occur among blue- than white-collar workers.

Additional evidence comes from Japan, long known for its relatively small gap between top executives and the rank-and-file (17 to 1 versus our 419 to I).[16] Japanese men, who are twice as likely to smoke as American men, not only live longer, but also have lower rates of lung cancer. The additional 3.6 years that Japanese men live compared to Americans (79.8 versus 76.2) equals the gain in male life expectancy that would be realized if heart attacks were eliminated here as a cause of death. Although other influences are also at work, Japan's wage-compression culture is widely regarded as a major contributing factor to a range of positive effects, including its social cohesion and low crime rate.

Research here supports that theme. Alongside widening economic disparities between whites and blacks in the United States, we also find widening disparities in the incidences of asthma, diabetes, major infectious diseases, and several forms of cancer. In a recent New York study, the rate of hospitalization for asthma was twenty-one times higher in the Bronx and Harlem than that of more affluent parts of New York City, with particularly high incidences among African American children.[17] The Atlanta-based Centers for Disease Control and Prevention report that from 1980 to 1994, the number of diabetes cases rose 33 percent among blacks. That's three times the increase among whites, mirroring the rise in cases of infectious diseases as well. Although the death rate from breast cancer fell 10 percent for all women from 1990 to 1995 (from 23.1 per 100,000 to 21), the higher rate for black women remained unchanged (27.5 per 100,000).[18]

Health Discrimination

Blacks also receive less, and worse, health care than whites. Thus, they are sicker than whites and die at about age seventy, six to seven years earlier than whites. A deadly mix of social and cultural factors, including limited education, poverty, poor diet, violence, and untreated disease, is also contributing.[19] Lower-income jobs among blacks also tend to insure greater exposure to toxic work environments. Research by the National Institute of Aging shows that blacks enjoy fifty-six years of reasonably good health, eight years fewer than whites and Hispanics. Although we've seen a significant nationwide decline in chronic, disability and institutionalization for people sixty-five and older, "almost all the improvement is among whites," according to Kenneth G. Manton, director of the Center for Demographic Studies at Duke University.[20] The persistence of this race-based health gap has now stirred the search for explanations beyond the conventional one of disproportionately low income.

The increased risk of injury between high- and low-paying work also compounds wage inequality. Daniel Hamermesh, an economist at the University of Texas, identifies this difference in injury risk as a key reason that workers on the low end of the wage scale are falling even further behind. In 1979, the top quarter of wage earners lost 38 percent more days to on-the-job injuries than did workers in the bottom 25 percent. By 1995, the pattern had reversed, with low-wage earners losing 32 percent more days than high-wage earners. Hamermesh calculates that the change in injury rates alone magnifies the wage gap by as much as 30 percent. "Overall, workplace safety hasn't changed much," he says. "High-paid blue-collar workers with hazardous jobs have simply become low-paid blue-collar workers in hazardous jobs."[21]

Similarly, although 48 percent of workers have an employer-sponsored pension plan, less than 10 percent of those at the bottom can count on such benefits.[22] Health insurance coverage follows a similar pattern, as does access to paid holidays and vacations.

Other aspects of life as a hapless jobholder also imperil health. An MIT study found that depression at work is costing us $47 billion each year, roughly the same as the annual tab for heart disease. Our medical students are taught that the major predictors of sudden death from heart attacks are smoking and hypertension along with high cholesterol, diabetes, and family history. According to a University of Massachusetts study, there's another predictor that's even more reliable: job dissatisfaction. More people in our culture die on one particular day and at one particular time of the week: Monday at 9 A.M. We're the first generation in history to organize our work activities so that they take such a predictable human toll.[23] For low-income people, the first day of the month is often the most deadly. A study of more than 31 million computerized death certificates found that the combined death rate from substance abuse, suicide, accidents, and homicide jumps 14 percent during the first week of each month, compared with the last seven days of the previous month.[24] The research team from the University of California at San Diego suggests that this phenomenon is due to the fact that low-income people receive their benefit checks at the beginning of the month.

The Foundation of Health Care

A 1998 study of 282 U.S. metropolitan areas found that mortality rates are considerably more closely linked to relative income than to absolute income. High inequality, high mortality. Low inequality, low mortality. Ichiro Kawachi and Bruce Kennedy of Harvard's School of Public Health conclude that an erosion of trust or "social capital" underlies inequality's influence on health. That would be consistent with the better health found in old-fashioned immigrant cultures, which typically have a conspicuous closeness, as compared with the more individualistic lifestyle of the modern American community. In one telling example, a physician-sociologist team studied the health of an Italian-American town in Pennsylvania during the 1950s. Though its inhabitants smoked heavily and cooked with lard, they exhibited an unusually low incidence of heart disease. The neighborhoods were known for their collegiality, architecturally evidenced by friendly front porches, where neighbors would congregate and converse. During the 1960s, they became steadily more Americanized—individualistic and insular—building terraces behind their homes, where they would socialize more privately. Within a decade, their fatality rate from heart attacks was on a par with nearby towns.[25]

This is consistent with more recent research by Dr. Dean Ornish. In *Love and Survival?*[26] he points out that social isolation or a lack of friends accounts in one study of coronary patients for a threefold difference in the survival rate. Those with caring relationships live longer. They also develop stronger immune systems. Among the developed nations, Britain and the intensely individualistic United States have, by most accounts, both the highest economic disparity and the lowest life expectancy. That comes as a surprise to most Americans because our health-care tab now accounts for 15 percent of the GDP, putting the United States near the top in outlays and at the bottom in results. Wilkinson concludes that wide inequality is *itself associated* with poor health. His conclusion is based on a chain of reasoning that runs like this:.A society that condones wide economic disparities evokes a culture preoccupied with material pleasures, money, and status. Those who cannot measure up develop a sense of inferiority and lower status, which triggers anxiety that quite literally eats away at people. As the anxiety becomes chronic, it releases stress hormones that impair the body's immune system. The impact on health is akin to rapid aging. These feelings "are so fundamental," Wilkinson notes, "it is reasonable to wonder whether the effects on the quality of life are not more important than the effects on the length of life." That's a health crisis. Yet not a word on the subject was heard during the 1993 national debate on health care.

Child Endangerment Economics

Those who challenge Wilkinson claim that material circumstances may play a larger role, particularly if one includes the impact of income-related differences on prenatal health care and parenting. Yet when Wilkinson's findings are paired with those by Harvard's Juliet Schor concerning the stressful lengthening of the work year, it means the typical American child now receives substantially less parenting from substantially more stressed parents who received for their extra work the same or less pay. Like Lewis Carroll's Red Queen, they run faster just to stay still. Less parenting and less pay, that's become the American way.

Although some argue that this is a healthy sign of people who believe in the work ethic and are now more self-actualized, die evidence suggests that it's more like being self-vaporized. Many people are groaning for relief, like workaholics in search of a moment of sobriety, while others are driven by rampant economic insecurity to prove their indispensability. Though some of life's experiences you may want to rush (a tooth extraction comes to mind), life itself may not be one of them. Peter Drucker tells the story of a young pianist who so impressed Johannes Brahms that he sent him to see his patron in Vienna. The patron turned the young pianist down, telling Brahms, "I have no interest in someone who plays the minute waltz in fifty-six seconds." Therein lies a lesson for our hurried times. Although certain problems require quick solutions and benefit from hurry-up, life is not one of them. That's why today's warp-speed economics feels so horrifically out of synch with our more natural rhythms.

Inequality also has a little-understood impact on early childhood development. The reasoning goes like this: Children who experience low social status have more aggressive interactions, even in their early years. On the home front, they tend to experience more personal trauma, often associated with heightened domestic conflict that typically accompanies household economic insecurity. They translate that confused mix of messages into feelings of personal insecurity, inadequacy, and inferiority. That results in low self-esteem along with a sense of personal defectiveness and vulnerability, triggering what psychologists call a shame-rage spiral, as they act out their feelings of being excluded and disrespected. Their personal experience is known as being "dissed" in those inner-city settings where this social pathology plays out in its most visible and violent form. Half the difference in societal violence, in social cohesion, and in life expectancy, Wilkinson found, correlates closely with economic inequality. If your family suffered financial difficulties when you were a child, by the age of twenty-three, you are more than twice as likely to be in prison if you're a man, and a lone parent if you're a woman. Homicide rates show a particularly strong correlation. You're also likely to be unemployed or earning below-average wages even ten years later. And to have fewer job qualifications.

Childhood poverty also has a long-term impact on physical and mental health. In Britain, where the number of children in poverty has tripled over the past 30 years, research confirms that poor children are more likely to have lower body weight and shorter height and are at greater risk of mental health problems as adults. *A powerful and perverse myth ("Never again!") surrounds the notion of childhood poverty, suggesting that hardship suffered by the young evokes a powerful determination *never again* to let their loved ones suffer the same deprivation. The research proves that the opposite is more typically the case.[27] The mystery is how anyone ever imagined that a poverty-plagued childhood, with its difficulties, deprivations, and insecurities, would equip people with the tools required to achieve prosperity.

Michele McGeoy, a young mother and Silicon Valley cyber-millionaire, asks that we reflect as parents on the lesson in fairness that we allow the current Congress to teach our kids. "Imagine four little girls eating apple pie. One girl cuts the pie into ten pieces and promptly takes nine of them for herself. The last three girls are left with a single piece. Most of us would be appalled by such behavior. We would chastise our children. Why accept that same behavior from our elected representatives?" An outspoken activist who vigorously opposed enactment of the rich-get-richer tax cut that Congress proposed in September 1999, she displays a Jeffersonian knack for putting the issue in proper context:

> I want my daughter to grow up safe and happy. I know I can't guarantee that safety and happiness. But I can improve the odds—by fighting anything that endangers my daughter's future well-being. This tax cut would be a giant step toward solidifying the

> unequal, unstable, unpredictable society that I fear so acutely. In a society increasingly polarized between the have-nots and the have-everythings, no children are safe.[28]

The threat to children's security (and to democracy) is also psychological. For instance, we've long known that the lack of self-esteem

that accompanies economic insecurity weakens family and community ties—which in turn further weakens self-esteem in a self-reinforcing downward spiral. Psychological insecurity, in turn, plays directly into the hands of advertisers and their film images, in which "more" is portrayed as making you happier, hipper, slimmer, sexier. Consumption, in short, is the route to a new improved you. This attempt to satisfy primary needs with secondary sources casts us adrift—even at a very early age—in a sea of addictions that merchandisers are happy to feed. Of course, those secondary sources can never really satisfy, whereas consumption can easily become obsessive. Uprooted from families, homes, neighborhoods, communities, and even from nature with its reassuring cycles, people often feel lost, even bewildered, if not terrified. That's why a sense of restored connectedness—a new psychic context—plays such an important role in the recovery now required. As with most addictions, breaking through the denial is often the most difficult step.

Today's accelerating pace of change also takes its toll—on both children and adults. Three decades ago, futurist Alvin Toffler warned in *Future Shock* about the "dizzying disorientation brought on by the premature arrival of the future." He predicted societal breakdown if we didn't slow our pace. We didn't, and the effects are beginning to show. A 1986 poll confirmed his forecast, concluding that one of three Americans lives with daily stress, whereas six out of ten report great stress at least once or twice a week. We know that as much as 80 percent of all illness is initiated or aggravated by stress.[29] University of Maryland sociologist John Robinson found a steady racheting-up in hurriedness since 1965, when 25 percent of those surveyed reported that their lives were rushed all the time. That figure had risen to 28 percent by 1975 and to 32 percent by 1985. By 1992, Penn State researchers Geoffrey Godbey and Alan Graete put the figure at 38 percent, an ongoing trend chronicled in 1999 by chaos theorist James Gleick in *Faster: The Acceleration of Just About Everything.*[30]

Democracy and the Character of the Community

These crises are intimately interwoven. They refuse to be remedied with a little 1960s-style income redistribution. There's much more at work here. And more at stake. It has to do with the ways in which society distributes not just money but also power, status, dignity, security, and personal standing. In other words, it has to do with democracy. Although income is essential, that alone doesn't address the underlying indignity of being left out and left behind. What this research allows us to see is the invisible overlay of interwoven forces whose effects often take years to fully play out—and years more to be corrected. These few snapshots provide insight into why so many of our most troubling problems never seem to find a remedy. All too often we focus on the symptoms rather than the broader, more complex context from which they emerge. A genuine *living democracy depends* for its robustness on the constant interplay between our personal experience of democracy and our insistence that we have the economic relationships in place that are needed to evoke that experience.

Could it be that we now seek escape through consumption as a way to compensate for lives that have become ever more anxiety-ridden, deferential, and (it must be said) less free? With progress now measured by material acquisitions and economic indexes, I wonder how many of us are living lives of quiet desperation, our political confidence sapped of its vitality by a culture grounded no longer in the expansive spirit of democratic generosity but in the isolating confines of glorified and institutionalized self-interest.[31] If leisure and security are key attributes of affluence, why is it that in this rich country, so many of us are more harried and economically precarious? Little wonder that democracy is losing its vibrancy. Robust democracies depend on people willing to invest the time to become informed on issues, attend meetings, and participate in campaigns. That becomes ever more difficult with the steady expansion in working hours combined with the gnawing angst of scant financial resources and an economic model that assures us that the system itself is fine—the flaw lies in us.

A Growing Threat to the Pursuit of Happiness

Our political health has been put at risk by the steady widening in economic disparities. The wealth gap itself fosters nonparticipation in democracy. Therein may lie the most dangerous and disturbing of our many crises because as we construct our relationships in a democracy, those relationships *become* our democracy. In *Making Democracy Work,* Harvard professor Robert Putnam makes this point by contrasting the civic cultures of northern and southern Italy.[32] In the north, with its egalitarian tradition of cooperatives, he found a people who enjoy a cohesive and harmonious culture with high participation in civic and professional societies amid a high degree of shared prosperity. That contrasts sharply with the more hierarchical and inegalitarian south, with its economic concentration, far less civic participation, an entrenched Mafia, and, despite more police, a higher crime rate and more poverty.

His conclusion: It's naive to expect a "minimalist, light-touch government" absent a policy environment that promotes mutuality, solidarity, and horizontal bonds of reciprocity. The irony, he points out, is that it is the "amoral individualists" in the less civic south who clamor for sterner law enforcement. "Yet the vicious circle winds tighter still," he cautions, because "in the less civic regions even a heavy-handed government ... is itself enfeebled by the uncivic social context. The very *character of the community* that leads citizens to demand stronger government makes it less likely that any government can be strong, at least if it remains democratic." In the absence of social solidarity and self-discipline, Putnam warns, hierarchy and force emerge as the only alternative to anarchy. That rings true. After all, it required the fascist leader Mussolini to jail the Mafia during World War II, only to have them released by the American liberators.

Again, the *nature of the community,* Putnam found, is as vital to happiness as personal circumstances such as family income and religious observance. In share-and-share-alike communities, people are predisposed to trust, to compromise, and to participate. Civic engagement, cooperation, and honesty are more common. Because citizens in the more civic regions enjoy the benefits of community, they are able to be more liberal. That makes sense. The word "community" comes from the Latin *com munere,* which means "to give among each other." "Happiness," Putnam concludes, "is living in a civic community." In the less civic, less egalitarian south, public affairs are the business of someone else—the politicians and the bosses, but not me. Political participation is triggered not by common purpose but by dependency or greed. Corruption is the norm. Compromise has negative connotations. Private piety stands in for public purpose. "Trapped in these interlocking vicious circles," Putnam notes, "nearly everyone feels powerless, exploited, and unhappy." That makes sense. "Humans are social," Harvard's Juliet Schor points out. "We judge our own situations very much in comparison to others around us. It is not surprising that people experience less stress, more peace of mind, and feel happier in an environment with more social cohesion and more equality."[33]

The Miniaturization of Community

Social commentator Francis Fukuyama chimes in on a similar note. He sees us conflicted as a nation. We want a sense of community, he found, along with the good things that flow from it, such as mutual recognition, participation, belonging, and identity. But we are increasingly distrustful of any authority, political or moral, that would constrain our freedom of choice (one of the key features of the information age is a radical increase in choice). In reconciling our desire for both community and autonomy, Fukuyama says that we find "a reduction in the radius of trust" and an accompanying "miniaturization of community," as people seek participation in smaller, more flexible groups and organizations whose loyalties overlap and where entry and exit entail relatively low costs.[34]

What I argue here is that a vibrant and balanced democracy requires an inclusive capitalism as its economic counterpart, combining greater financial autonomy with steadily shifting notions of community—in the workplace, where one lives, even through friendships and commercial relationships formed in cyberspace. On the one hand, it's comforting to know, as Fukuyama notes, that humans are *by nature* social creatures and that social order, once disrupted, tends to get remade. On the other hand, without some societal norms and rules of behavior, whether internalized or enforced by law, the character of the community can become highly undemocratic, as Putnam found. It's dangerously naive for us to expect democracy to sustain itself in an environment that grants such deference to the combined forces of unbridled individualism and the abstract values of finance. Putnam's and Fukuyama's insights into the character of democratic society bring to mind the tart response offered by Mahatma Gandhi when asked his appraisal of democracy in the West: "I think it would be a good idea."

Multiple Domains Now at Risk

One subtle by-product of the ascendancy of the financial model is the commodification of labor such that the social bond between employer and employee gradually becomes only an economic bond. Workers become just like any other factor of production. Whether responding to downsizing or to a call from a headhunter, people change jobs far more often than they used to. Yet game theorists confirm that trust, a key component of social capital, emerges as a function of the durability of relationships. So long as individuals meet one another often enough to have a stake in future encounters, they will begin to form pockets of cooperation. And once that happens, Robert Axelrod notes, "the gear wheels of social evolution have a ratchet."[35] Leave people connected to society with only a job in an environment where labor is viewed as simply another cost and its mobility a plus, and rest assured that you'll get just what we now have—restlessness, a sense of being out of place, a feeling of uprootedness, and a steady deterioration of civility.

The multidimensional impact that accompanies today's fast-widening economic disparities and fast-growing insecurity is oftentimes subtle, showing up in places you might least expect. For instance, research by ethnobotanist Paul Gary Nabhan uncovered evidence of an impact on the environment that only became apparent when a colleague discovered two county-by-county maps of the United States. The first map depicted the relative duration of human residency. The highlighted counties had unusually high turnover, with lots of people moving in and out—what economists call high labor mobility. The second map portrayed a high incidence of endangered species. When Nabhan placed one map over the other, he discovered a near perfect alignment.

That fits. When people move in and out a lot, there's less stewardship. Yet labor mobility is one of the key tenets of economic theory (advanced, ironically, by tenured professors) because the willingness of people to move restrains labor costs, boosting financial returns. If people remain connected to capitalism with a job as their sole source of economic security, rest assured they're likely to move. Economists figure that's a good thing. Yet Nabhan's research suggests that con-standy churning mobility undervalues the important role played by a sense of place. And by a feeling of stability. There's a relationship here of which we're only dimly aware. How do we put a price on those aspects of our lives that we most value: conviviality, continuity, character, charity, relationships, remembrance, affection, family ties—and community? At what cost do we allow ourselves to be led hither and yon by financial signals that neglect the valuable in what we value? As Putnam's and Fukuyama's findings suggest, the very character of the community has value, constituting a key component of our social capital. Relationships count, yet today's economics has no way to measure them, and unless we can measure something, today's economic science won't concede that it exists.

Ownership connects people to place—to their homes and to their community. That's a key reason federal policy has long encouraged home ownership. Study after study has shown that home owners are more active in their communities than renters. They care more about the place—the politics, the schools, the appearance of the neighborhood, what's being financed with the local tax base, and so on. That's also why our tradition of sole proprietorships, particularly owner-operated retail businesses—grocery stores, lumber yards, shoe stores, and such—had a major stabilizing and democratizing influence on communities and on the nation. It was largely from their ranks that we drew our civic leaders.

Current ownership patterns—remote, concentrated, and often disconnected from the concerns of the community—endanger those civic roots. Or disrupt those roots, once planted. But, wow, is it ever great financially. Devastating to societal effectiveness, but swimmingly efficient. Just look at those *financial* results. The Dow Jones is up. Life *must be.* good. End of analysis. End of discussion.

Sociopathic Policies

As a general rule, home owners cannot afford to retrofit for energy efficiency unless they stay put the five years or so it takes to recover their costs. Yet the Bureau of Labor Statistics found that in 1998 the average job duration was 3.6 years. That's down from 3.8 years in 1996. How do we put a price tag on forgone energy efficiency? Or forgone stewardship? What value should be put on unformed friendships? The research confirms what common sense suggests: There's high personal costs involved with moving. Anyone who's done it (and who hasn't?) knows that moving puts enormous wear and tear not only on physical and mental health but also on relationships and families. Combine a move with a layoff, and the stress factor multiplies. The Department of Labor reports that from 1995 through 1997, 8 million of us were pushed out of jobs involuntarily. That's one of every fifteen adult job holders. That's on top of the previous three-year period, when 8.4 million, one of every twelve, were laid off.[36]

The wholesale firing associated with "reengineering" boosted short-term profits and stock prices, along with the value of stock options held by those executives who eagerly embraced this latest management fad. Now widely viewed as a prescription that was both oversold and overbought, many of the staunchest proponents of reengineering, such as Michael Hammer and James Champy, who together wrote a manifesto of reengineering, have since acknowledged that much of it was an ill-advised, costly, and wrenching mistake.[37] It often caused long-term damage not only to the operations of the firm but also to its culture, leaving people feeling fearful, distrustful, and with a decidedly less productive attitude.[38] To my knowledge, no one has yet chronicled the social costs—the broken families, the personal bankruptcies, the uninsured family illnesses that went untreated, the college expenses that became unaffordable, the stress, the depression, the suicides, and the bewilderment and bereavement of children who now live with a single parent. There's no balance sheet on which the social costs of reengineering are tallied, despite their expensive and corrosive effect on individuals, families, communities, and civil society.

America's children, especially those in middle-quintile families, now grow up moving from suburb to suburb. Values suffer when you embrace the sort of accelerated, dislocating change that has become the hallmark of U.S. commerce. Neighbors often move virtually undetected in and out of interchangeable suburban backdrops, where cars slip in and out of automatic-door garages. There's seldom any need to step beyond your mailbox. Not only does the experience of a minimally connected, disposable world affect children, it transforms the very notion of family-in-community. Nationwide, one of every six children now takes Ritalin, an antidepressant. The number of preschoolers taking stimulants, antidepressants, and other psychiatric drugs arouse dramatically from 1991-1995.[39] The rate of suicide for those aged fifteen to twenty-four has tripled since 1960. More than 65 million antidepressant prescriptions were written in 1998—for Prozac, Zoloft, Paxil, Serzone, and Tofranil. Plus an unknown number for antipsychotics such as Haldol, Thorazine, Risperdal, Zyprexa, and Cloxaril. That leaves unchronicled the drugs bought from a dealer rather than a doctor. The abstraction, alienation, material acquisition, and mindless consumerism that now pass for community masks a much deeper malaise imbedded in a worldview that begets such a culture.[40] A steady buildup in the number of seemingly intractable social problems suggests it's time we strike out in a very new direction.

Lotteries and Lockups

Instead of a policy environment that promotes community and provides robust economic opportunities, we witness instead the sad travesty of legislative support for lottery opportunities. Lottery machines are almost as prevalent as cash registers in the thirty-eight states where they're allowed. Annual ticket sales now exceed $35 billion. Denied any reasonable chance to get ahead through legitimate means, our lowest-paid citizens flock to these scant-chance schemes like lemmings to a cliff. Fully 51 percent of lottery tickets are bought by just 5 percent of regular purchasers, who are mostly drawn from the nation's most down-on-their-luck households.

There has also been a seismic shift in the motivation behind gambling. In 1975, seven in ten told pollsters that they gamble for the excitement or challenge. Not anymore. Two-thirds now say they bet to win money, with African Americans more likely than any other group to offer that response." Though states justify lotteries on the basis that they're voluntary and the proceeds are used to augment education, numerous studies show that they fail to increase the net amount spent "on education.[42] In my home state of Georgia, where gambling was banned when I was a kid, the proceeds from lottery tickets sold largely to low-income blacks pay college tuition largely for middle-income whites. Paradoxically, the nationwide spread of legalized gambling mirrors the spread of what nowadays passes for conservatism.

The U.S. prison system is another example of the all-encompassing devastation wrought by rising inequality. In 1973, the United States had 350,000 people in prison nationwide. By 1998, that had soared to 1.8 million. Although some of the growth in the prison population is due to stricter law enforcement, tougher sentencing guidelines, and more restrictive parole procedures, the question remains: Why are our rates so dramatically out of line with those of other nations? Even our draconian "war on drugs" cannot fully account for the difference. As of the fall of 1999, 388,000 adults were behind bars for drug violations, compared with 52,000 in 1980. Something more is at work. The United States now has roughly 674 of its citizens in prison per 100,000, whereas the imprisonment rate throughout Europe is 60-100 per 100,000. Demographically, our fast-growing security-service industry employs people without property to guard the belongings of those *with* property—from those without property. Fittingly, the key construction industry to rival new prison construction as a growth area in the New Economy is that of the gated community.

Florida now spends more on corrections than on colleges. California soon will. In 1998, this bellwether westernmost state spent 9 percent of its budget on prisons as it responded to an eightfold increase in its prison population over the past two decades. The Rand Corporation projects that prison spending in California will top 16 percent of its budget by 2005. The state's prison guards were the largest single contributor to Governor Gray Davis's successful race for governor. With a national population one-fifth that of China, the United States may have a half-million more people in prison. In our minority communities, prison life has become so much a part of the culture—and is so often an improvement on street life—that it's called "three hots and a cot." That's the cultural fallout from a political decision to lock them up rather than lift them up. The stubbornness of these problems mandates a disturbing conclusion: We have become resigned to our inability to address national maladies in any substantive way. Rather than address the problems of our fast-growing underclass, we've focused our efforts instead on how best to live with the consequences.

It's useful to recall that democracy has as its goal a civic culture grounded in generous social relations, the vitality of human cooperation, and the rich diversity of human aspiration.[43] Yet even my recitation of those traditional goals now sounds somehow hackneyed, even quaint and simplistic, lacking as it does the hard edge now so common in discussions about our underclass. The challenge of living with and for others has long been a struggle in this most individualistic of all nations. Our extreme brand of individualism was particularly worrisome to Alexis de Tocqueville, who cautioned that the typical American might well become "shut up in the solitude of his own heart."

Today's democracy combines outward displays of material prosperity with fast-growing evidence of an inner spiritual poverty as we find ourselves coping with epidemic levels of alienation, anxiety, discontent, frustration, uncertainty, loneliness, and depression. We lose the right to be dismayed at sociopathic behavior among our youth when we mix a poorly developed conscience, rising economic insecurity, family stress, low self-esteem, an early introduction to drug use, and deteriorating civil cohesion with a culture that glorifies greed, consumption, self-interest, short-term-ism, and individualism while devaluing place, stability, the family, the community, and even the natural world in which all these ingredients are inescapably imbedded. The only surprise will be if we don't see a continuing rise in bizarre behavior. From the perspective of the risk imposed on democracy, the cost is best reckoned in terms of the loss of community, the bedrock on which all of civil society is built.

The commercial costs associated with this phenomenon can also be significant. Cost-conscious corporations often show a preference for singles and for employees without families. Children and other personal relationships can prove more expensive should employees relocate. Labor mobility is efficient and cost-effective. Relationships are not, at least not where a move may be in the offing. In combination, these forces make today’s finance-myopic version of free enterprise the most revolutionary force ever unleashed in the human community. The effects are radical, ongoing, accelerating, and far from finished.

Chapter Five
Democratic Capitalism

> Money should never be separated from values. Detached from values, it may indeed be the root of all evil. Linked effectively to social purpose it can be the root of opportunity.
>
> Rosabeth Moss Kanter

There was a time when economic decisions were informed by conscience and made with sensitivity to the community. That was most clearly the case when elders were honored and close-knit communities were the rule rather than the exception. That richly tex-tured, multiple-agenda decision making has gradually given way to a cool financial efficiency with but one set of values in mind: financial values. Modern-day capitalism now operates on the basis of "money on automatic." That's understandable now that more than $17 trillion resides in the hands of U.S. money managers hired and fired based on their ability to do but one thing: make *more* money.[1] Much of that money is just barely managed. As of mid-1999, Fidelity Investments had $765 billion invested in indexes that simply mimic the market by buying securities that match the market's overall performance. Barclay's Global Investors had $619 billion indexed, and Merrill Lynch & Company $501 billion.[2] Much like a preprogrammed machine unable to gauge its impact, this institutionalized, money-on-autopilot system—$1,875 billion indexed by just three firms—means that much economic decision making is now cut off from the foresight, the concern, and often even the simple common sense that reside uniquely with individuals and within their communities. The number of significant institutional investors in the United States is less than the number of members of today's presidential cabinet. Even though more voters than ever have a stake in ownership (however modest), popular control over the nation's commercial sector is growing steadily weaker as ever more deference is granted financial markets. That raises profound questions as to the legitimacy of the economic component of our present-day democracy.[3]

We're just awakening to the many flaws in the naive notion that money need only be accountable to itself. Adam Smith, the father of free enterprise, would be appalled at the way we've allowed money to ^run amok, converting the pursuit of financial returns into a secular idolatry. He envisioned not financial markets but an engaged humanity as the animating force through which the pursuit of private gain becomes a public virtue. Although global capital markets certainly display an uncanny capacity to seek out profitable investments worldwide, that search has left in its wake grotesque social inequities, oppressive political systems, and environmental tragedies. That's why, I suspect, Smith advocated a genuinely *self-designed* system operating through what he called "the invisible hand." Only a *people-based* system was, he felt, capable of reflecting the complexity of motivation, aspiration, and purpose that make humans so uniquely human. The eighteenth-century moral philosopher of considerable repute published his *Theory of Moral Sentiments* in 1759, which predates by seventeen years his more famous text, *The Wealth of Nations.* Both books make it clear that he favored a community-scale system based on *personal* decisions informed by what he called "human sympathies."

The notion of genuinely people-based, community-attuned control serves as the moral foundation of both markets and democracies. That's why markets defer to consumers, and democracies to their constituents. Democracies, in turn, are often characterized as market-places of ideas. Both are based on the commonsense notion that people should have an active voice in events that affect them. Today's remote-control, finance-dominant, globally attuned capitalism would strike Smith as an aberration, a freak of free enterprise. As we're now discovering, overreliance on that model often shows up as gains in financial efficiency at the cost of societal effectiveness and environmental sustainability.

Frances Moore Lappe, author of *Diet for a Small Planet* (1971), takes that analysis a step further, reporting on a debate with Milton Friedman, icon of the Chicago faithful. In response to his core argument that markets best serve freedom because they best respond to human choices, Lappe pointed out that "the market can only reflect human choices—and can therefore only serve human freedom—on one condition: that we all can make our choices felt in the market, and that requires a wide distribution of wealth and income. The concentration of wealth and income destroys the entire justification for the market." Further, she notes, markets don't respond to people or their rationale; they respond to people *with money.* Otherwise, "how can we explain a half billion people worldwide living in market economies and going hungry?" [4]

People-Free Free Enterprise

There's enormous irony at work here. That's because the component now most missing in this self-designed system is the *self.* Patterns of personal concern and personal responsibility are themselves an essential component of both free enterprise and democracy. Personal responsibility intensifies social creativity through the give-and-take of mutual interaction. That's the real motor of democracy.

For instance, although everyone may have a vote, a sickly 1 percent voter turnout is a very different democracy than a robust 95 percent turnout. Although private property rights, like voting rights, may be widespread, something is fundamentally amiss when the financial wealth of the top 1 percent exceeds that of the bottom 95 percent. For an avowed capitalist economy, that's a very sickly turnout. And for ensuring widespread responsibility, it's a disaster, as the endangered condition of our environment attests. Democracy needs new democratic channels—new means to ensure public accountability and new ways to evoke personal responsibility.

In the same way that you cannot take apart a cell and find its life force, both markets and democracies defy easy dissection. Their robustness will always remain a mystery, perhaps best known by their absence. Yet with a policy environment that evokes the proper breadth and depth of relationships, markets and democracies provide a container that can hold the human experience like no other system yet devised. Having worked in some thirty countries, I know it when I feel it. And also when I don't. Oftentimes, it makes me want to kiss the tarmac when my plane touches down on U.S. soil. Although we don't yet have it quite right, we've got it a lot less wrong than most.

What's overlooked in today's dollar-denominated market absolutism is what we all know intuitively: Not everything that counts can be counted, and not everything that can be counted counts. GDP rises regardless of whether funds change hands to find a cure for cancer, to pay the costs of O.J.'s murder trial, or to clean up an oil spill. Like a calculator missing a subtraction key, our economic measurements care only if cash changes hands, not whether genuine value has been created. GDP masquerades as mathematics when, in truth, it only scores transactions denominated in monetary terms—and every score is positive. Our national accounting system is good at identifying certain quantities; populism argues that democracy must embody certain qualities. Those qualities are determined by the relationships people have with those systems in which their lives are embedded.

Capitalism as a Conversation

One danger of today's disconnected capitalism is that it can quickly turn undemocratic. Many of the countries I've advised are in the midst of making the transition from state ownership to something else. What they discovered is that abolishing private property—the Marxist solution—simply doesn't work. Been there, done that. Yet if private property is an embedded feature of private enterprise, as it clearly is, the question remains: How do we best play to that strength? The answer lies not in the resolution of long-warring ideologies (Karl Marx versus Adam Smith) but in simple common sense. What's required is a fundamental reconfiguring of the economy's feedback loops, recognizing that peoplized property patterns are themselves a powerful societal tool for communication and for learning. Reduced to common principles, both markets and democracies are learning systems.

The Japanese capture the concept succinctly: All of us are smarter than any of us. The Chinese have a similar phrase: Anyone who rides on the knowledge of the many becomes wise. That's why sustainability requires democratic ownership patterns to ensure a genuinely democratic capitalism. Democracies must learn from everyone because they're meant to work for everyone. That's the "systems wisdom" embedded in their design. Markets need to follow this systems wisdom, too. Broad-based patterns of connectedness can help us better anticipate the future. We know from business settings that bottom-up organizations are more flexible and more resilient, a real plus in a globalized world, where ongoing adaptability is essential. That's also true for a political system that values personal freedom. Systems that lack designed-in "response-ability" either die or, to stay alive, make life difficult for those within them, as we saw in the Soviet Union.

Many of the most disturbing and unsustainable aspects of present-day capitalism are simply too remote in time or place to be measured in conventional financial terms. There's a huge and fast-growing gap between what financial markets claim to do *for* people and what they actually do *to* them. In his best-seller *Emotional Intelligence,* author Daniel Goleman offers a clue to the challenge of systems learning in the environment.[5] He points out that "the key to a *high group IQ* is social harmony. It is this ability to harmonize that, all other things being equal, will make one group especially talented, productive and successful, and another—with members whose talents and skills are equal in other regards—do poorly." He cites research from firms in which sustained growth and profits correlate closely with an environment of harmonious working relationships and "a strong sense *of psychological ownership* for the outcome of their work."

So the question remains: *How* do we smarten ourselves up so that financial forces no longer run roughshod over essential, nonfinancial domains? In short, how do we make capitalism democratic? Even more fundamentally, how do we evoke a free-enterprise democracy that generates harmony and accumulates memory from generation to generation so that we proceed with some semblance of wisdom? Disharmonious societies do not thrive. And smart systems prove themselves dumb unless their learning is preserved. The insights of one generation do not become the common sense of the next unless a way is found for one generation to converse with the next. Without education and the conversion of insights into law and common practice, hard-earned lessons are easily lost.

Toward a Peoplized Capitalism

What I propose here are methods to smarten up today's dumbed-down capitalism by building relationships with those who Adam Smith assumed from the outset would participate in the system's self-design. One thing we know for certain about systems: They can change dramatically by the amplification of just *one* element of feedback, as newly enfranchised democracies routinely discover, to their delight. Leave people disconnected, and they become discontented. Moreover, the system soon becomes dysfunctional.

The corporate entity consists solely of *relationships* both inside the firm (with shareholders, employees, managers, directors) and outside the firm (with customers, suppliers, regulators, etc.). The same holds true for democracy—it's a network of relationships. Though a democracy, like the corporation, may first be created on paper, it lives in those relationships. The challenge facing democracy is straightforward: How do we use property relationships more effectively and more creatively? How do we encourage ownership patterns that better tap our collective wisdom so that we improve both our economic and our political decision making? That has nothing to do with ideology; it's about using our common sense to design systems that learn better.

Ownership in a Globalized Marketplace

Imagine for a moment a single-economy world with freely mobile physical and financial capital. In such a world, pay differences between workers in different countries will steadily narrow as owners gravitate to locales with the most favorable wage rates. As the ongoing liberalization of the world economy makes developed countries richer while making many industrial and clerical workers within them worse off, who will gain the difference? Obviously it's those who own the capital.[6] What is globalization? Everyone is invited to a cookout— and you're the hot dog. And by the way, attendance is mandatory. The results are in. According to a survey by the WorldWatch Institute, Mexicans working for 2,200 U.S. multinationals in the *maquiladoras* area just south of the U.S. border are paid an average $1.67 per hour, while workers at those same factories on U.S. soil are paid $16.17. Though Americans are fond of their low-priced imports, this hollowing-out of the nation's manufacturing wage base shows up for producers as overcapacity and for workers as shrunken pay packages, displaced jobs, and fast-widening economic disparities.[7] Think of it as neutron-bomb capitalism—leave the capitalism intact while killing off the customers. Cheaper products are terrific, but it's easy to forget that every producer requires a consumer. An abundant supply of productive power suggests the need for an abundant supply of consumer power. In systems science, that's known as "complementaries"—a nail implies a hammer, a car some gas. Those paired capacities are the essential yin and yang of economic robustness: Revenue-hungry producers require cash-flush consumers. Market demand evokes supply; supply requires market demand. We don't need supply-side theory alone. Nor demand-side (Keynes's specialty). We need a synthesis that ensures a balanced relationship between the two so that they work in tandem, like two sides of the same coin.[8]

If we save too much, we create the "paradox of thrift," as merchants are denied the sales revenues they need to pay workers, who need the income to buy the goods to keep the stores open and the workers paid. The high-saving Chinese now seek escape from this savings trap with a patriotic spending campaign that exhorts people to "love the country and consume." It's a paradox from which the high-saving Japanese may yet seek relief through a means long favored here: demand-stimulating defense spending.[9] "A worldwide shortage of aggregate demand has emerged as the world's premier macroeconomic malady," argues Princeton economist Alan Blinder, former vice chairman of the Federal Reserve Board.[10] Yet from the producer's side, it looks like worldwide overcapacity. "There is excess global capacity in almost every industry," complains Jack Welsh, chairman and CEO of General Electric.[11]

Overcapacity and underconsumption are two views of the same phenomenon. "No one has ever become very rich by saving their money," John D. Rockefeller advised. He might have added that even a rich nation can become poor if people save too much. If we can get the design right, successive sequences of investment and consumption will fuel both market dynamism and household capital accumulation. That, I suggest, is the most sensible route to a smaller government.

Democratic Capitalism: A Campaign Promise Worth Voting For

Because both markets and democracies are learning systems, it's essential that every opportunity is taken to connect people to both systems so that both systems become smarter and more responsive. We know how to do that with democracies. Sort of. One person, one vote, was a good start. The question is how to get people to turn out at the polls. We know, for example, that although only 20 percent of the voting-age population has college degrees, they comprise more than 40 percent of those who vote in presidential primaries. Meanwhile, the already low participation of voters without a high school education has dropped by 50 percent since 1992. So that's today's democracy—a "sort of" democracy.

We're still learning how to smarten up both democracies and markets. To date, the market connection on which we've relied is jobs. Governments worldwide are job-creation machines. That's because jobs have long been the currency of politics, a requirement enshrined in the Employment Act of 1946, enacted when Congress realized it was the war effort and not Roosevelt's New Deal that pulled us out of the Depression. Yet limiting economic connectedness to jobs alone has enormous drawbacks, including the temptation to maintain a huge defense budget as a full employment program, a temptation to which we have regularly given in for a full half-century. What's needed instead is a policy environment designed to encourage both jobs *and* ownership. Although jobs require ongoing education and training to steadily upgrade the nation's human capital, the missing piece has long been an ownership stake in the nation's labor-saving capital—which is fast becoming dramatically smarter (and saving more labor) with each new advance in our knowledge-intensive industries. Ensuring everyone an ownership relationship with income-producing capital could go a long way toward ensuring that the nation's income streams irrigate the economy with more genuinely democratic patterns of purchasing power.

Low voter turnout is the principal barrier to the realization of a genuinely democratic capitalism. Turnout in the midterm 1998 elections was 36 percent, the lowest since 1942, when millions of Americans were away at war. Among voters age eighteen to twenty-four, turnout was 15 percent (11 percent for eighteen and nineteen-year-olds). The lower two quintiles of the voting public are largely disenchanted with politics and, for the most part, politically dormant. That's understandable. They've yet to be offered a choice that would make any real difference in their lives. The 2000 presidential election asks them to validate a party-dominated, money-tainted process over which they've had little or no influence. Low voter turnout is best understood as a failure of political creativity. As a military leader, Colin Powell advised junior officers that when people no longer bring their problems to you, "it is for one of two reasons: either they think you can't solve their problems—or you don't care. Either is fatal to good leadership."[12]

Conscious Capitalism

We face a curious mismatch between our economic potential and our political will. On the one hand, less and less human effort is called for in the economic sphere to produce the goods and services that could open the vistas of broad-based leisure to our people. Meanwhile, ever more effort is needed to reinvigorate the political system so that this opportunity for leisure becomes a personal reality. Better yet may be the Australian practice of mandatory voting (either vote or pay a fine).[13] People need to know that the problem lies not with the capacity to produce abundance and leisure. That's already in place. What's missing is policymakers willing to insist that our abundance be broadly shared. The American voter has no idea that widespread prosperity is feasible. I'm certain it is. I also view this wider sharing as essential to the preservation of our democratic values. If we are to have democratic civil cohesion in a globalizing world, we must build a basic foundation of trust centered around our proven willingness to produce *and distribute* the abundance and the leisure of which we are capable. For that purpose, Election Day must become a national holiday with nationwide same-day voter registration so that it's easier for people to support candidates and policies that meet their needs.[14]

Civil cohesion is the source of our strength as a nation. Its absence can be devastating. That's why, when the Soviet Union collapsed, it collapsed so completely. It lacked the glue of open societies with their horrifically inefficient but delightfully effective mishmash of clubs, community groups, fraternities, lodges, sports leagues, and such, in which people form those personal relationships so essential to democratic robustness. All too often, the Soviet planners' clean, crisp, quantitative decisions displaced this human messiness. No wonder it didn't work. The humanity was sucked right out of it. We've seen this design flaw—a forced dehumanization—play itself out in other command economies as well—Cambodia, China, Vietnam, Cuba. My concern is that we may see this flaw emerging yet again through the extraordinary deference now granted financial signals, particularly when combined with the homage paid the bloodied tooth-and-nail of global competition. Unless these powerful forces are wired to serve some larger cooperative ends, democracy will continue, as now, to divide against itself.

Indeed, our already atrophied democracy may yet be torn apart by internal contradictions if we succumb to the insistent assurances of those who claim that finance capitalism will take care of itself—if only we'd grant financial forces a bit more freedom. We've passed this way before. In 1936, President Roosevelt warned that "the privileged princes of these new economic dynasties, thirsting for power, reach out for control over government itself. They created a new despotism and unwrapped it in the robes of legal sanctions."[15] Given the political forces aligned behind today's financial return-driven paradigm, modern-day populists need a shorthand phrase to describe the newest version of this very old phenomenon. I've pondered an array of phrases: financial fundamentalism (my favorite), financial fanaticism (too strong), financial fetishism (too clever), and finance fascism[16] (too accurate). I ask you: How might we best describe a system that insists on the ascendancy, even the moral authority, of such a very narrow bandwidth of values? How should we characterize a system that musters societal forces to enforce such a singular purpose? "The spirit of liberty," famous jurist Learned Hand advised, "is the spirit which is not too sure it is right." Today's finance zealots display no such humility. How should we characterize a political environment that insists on granting financial values not just a measure of well-deserved deference but instead command, even dominion?

My fear is that Divine Right has wormed its way back into the machinations of democracy as the divine right of capital markets.[17] That trend is accompanied by a financial feudalism that scours the globe, insistent that its tightly constricted values should take precedence over a broad swath of political, cultural, social, and even environmental values. To capture the danger and the illogic underlying that perspective, consider just this one paradox: In the midst of a worldwide stampede toward massive stock buybacks, what happens when a corporation repurchases *all* of its stock? To whom is it then accountable? Today's finance-ocracy is poised to become a parody of democracy, its values suggesting a need to amend Lincoln's memorable trilogy to read "that government of the capital markets, by the capital markets, for the capital markets shall not perish from the earth." How do we escape this alluring madness? The same way we jettisoned the insanity of Divine Right: We quit believing in it. And then we changed our laws and institutions to reflect that changed belief.

My intent here is not to disparage any particular devotee of today's finance ideology, but to serve notice of the extraordinarily dangerous forces they have unleashed in the world. Fully free capital flows may prove incompatible with the values of a fully free people.

Chapter Ten
Education for Democratic Capitalism

> Thus the task is not so much to see what no one yet has seen, but to think what nobody yet has thought about that which everybody sees.
>
> Schopenhauer

No policy is sustainable without public support. If the voting public doesn't know that something is possible, the people can't choose it. To properly frame the choices requires an education initiative that is bold in tone and comprehensive in scope. People simply have no idea that there's a feasible alternative to today's highly exclusive economic system. They've yet to hear an appealing and practical vision for a system designed to include them. Nor have they been presented a clear picture of how the various components fit into a global whole. Instead, they've been so often promised more and so routinely left with less that they feel estranged both from politics and from a government they no longer consider theirs. Many have concluded there's little they can do to about it. That inertia, in turn, strengthens the powerful forces of exclusion. Filling that political void today are two equally ineffective alternatives: progressives and conservatives. Both labor under false assumptions.

Progressives work at marginal improvements to a system from which people are routinely excluded, in the ill-founded belief that inclusion will come simply with more education and training. Meanwhile, conservatives lavish more benefits on those already included, in the ill-founded belief that inclusion will come about simply by granting more freedom to market forces ("a rising tide lifts all boats"). Rather than revisit their false assumptions, both camps periodically redouble their efforts—as witnessed by such policy spasms as the Reagan-Bush rich-get-richer supply-side initiative in the 1980s and the Clinton-Gore education initiative in the late 1990s—which is certain only to further widen the gap between the learning class and the working class.

With trickle-down a certifiable failure, populists suggest that it's time to spread prosperity directly and widely. Because the two major political parties now ride on very narrow-gauge tracks, populists could pick up support from both. Party loyalty is elusive, as both parties know and rightly fear. Ross Perot's Reform Party presidential campaigns proved this in 1992 and again in 1996, as did professional wrestler Jesse Ventura's successful 1998 gubernatorial campaign in Minnesota. Political creativity is the key to electoral success.

The Raw Deal for Generation X

Voters are frustrated. Gen-Xers have every reason to be fed up, as there's *no* leadership on issues of most concern to them. Since 1973, median earnings for men aged twenty to thirty-four have fallen by almost a third. Even during the early boom years (1989-1995), the earnings of recent college graduates fell by nearly 10 percent. A 1999 survey by Peter D. Hart Research Associates found that 60 percent of workers between age twenty-five and twenty-nine believe that employers are failing to meet their end of the bargain when it comes to sharing profits with workers and providing upward mobility.[1] Of the 44.3 million Americans who die Census Bureau says lack basic health insurance, Gen-Xers are the least insured of all.[2] Many received a public education in schools weakened by budget cutbacks as fiscal resources were siphoned off into tax cuts instead. Government spending on education, infrastructure, and research plummeted from 24 percent to 14 percent of the federal budget since the mid-1970s and is poised to decline further as baby boomer retirement, military remobilization and Medicare commitments put more pressure on fiscal resources.

The in-school generation is also threatened by our steady reordering of public priorities. As we move into the twenty-first century, with its increased demand for communication and reasoning skills, educational achievement levels now reflect two decades of skewed fiscal priorities. Only one-quarter of elementary and secondary students write at a proficient level, according to a September 1999 report released by the National Center for Education Statistics. Arizona found that just 11 percent of high school sophomores could pass a state math test administered in 1998. Only 7 percent of Virginia's schools could show that 70 percent of their students met minimum state testing requirements. Los Angeles school administrators calculated that they would have to hold back nearly half their students if they ended automatic promotions in all grades.[3]

A closer look reveals that our poor across-the-board results mirror our widening economic divide. Whites and Asian Americans performed best on what's known as the nation's report card, with 24-36 percent scoring at the proficient level in tests given to 160,000 fourth, eighth, and twelfth graders. That compares with 8-11 percent of black, Hispanic, and Native American test-takers.[4] What's the response to date? Furious backpedaling. Rather than holding to standards to ensure that students in rich and poor schools cover the same ground—and mustering the fiscal resources to help students meet those high goals—schools instead are lowering their standards.

The standards that the schools *are* adhering to are those involved with cracking down on misconduct. Rather than the patience historically afforded adolescents and their usual, if annoying, behavior, the Justice Department reports that the vast majority of schools now have zero-tolerance policies not only for crimes like gun possession but also for infractions like tobacco use and noncompliance with dress codes. So although our schools have become factories of failure, at least we've found the funds to convert spirited and unchallenged teens into docile adults.[5]

Gen-Xers rightly sense that the social fabric is fraying and that, absent fundamental change, they will continue to face deep-seated economic insecurity. About 75 percent of young workers today lack a college degree. The Peter Hart survey confirms that the oft-touted promise of a high-tech career is typically little more than a fading dream for a large percentage of young workers who can't afford the additional training or education to upgrade their skills. While most young college graduates have full-time, permanent jobs, only half of young workers without degrees have such standard employment. The rest are working part-time as temps or in other substandard arrangements, the survey found. Mobility makes people more tolerant of inequality. Gen-Xers are slowly learning that they enjoy only the perception of mobility—within a very tight range of low-paid jobs.

Debtors for Life

This generation is also about to inherit a daunting array of fiscal, social, and environmental debts (chronicled in Chapter 4), including nearly $2 trillion in international debt as the United States went from being the world's largest creditor nation to its largest debtor.[6] That's certain to lead to reductions in both investment and consumption as Gen-Xers find themselves faced not only with extreme demographic strains (one Social Security recipient for every 2.1-2.3 workers) but also a tab for foreign indebtedness incurred to fuel the boom of the 1980s and 1990s. Fully 61 percent of this generation agree with the statement "Politicians and political leaders have failed my generation." That shows keen political insight. They're now faced with die spectacle of Republican congressional leaders who claim (with a straight face) that tax cuts are essential because, otherwise, politicians will spend any surplus. These same legislators propose tax relief for the well-to-do as a way to return projected budget surpluses to those "to whom they belong"—while passing along deficits to Generation X like some high-stakes intergenerational shell game.

Exposed to such disingenuousness, it should come as no surprise that Gen-Xers have record-low trust both in institutions and in elected officials. They also show an increase in materialism and individualism, traits that tend to weaken social bonds and further isolate people.

Unless quickly addressed, their apathy, absenteeism, and disengagement will make it even more difficult to address the common good. No more than a third of today's young adults identify with either political party, whereas 44 percent of eighteen- to twenty-nine-year-olds think of themselves as independents. Theirs was among the strongest support registered both by outsider Perot and by upstart Ventura.

The reason both political parties need massive campaign funds to tout their message is easy to understand: Their campaigns don't *have* a message. Substance has been displaced by vague sloganeering and slick emotional appeals. The voters realize that. Certainly Generation X does. The party regulars know it too. They have good reason to be worried. Neither party can win with its core supporters alone. Political victory requires a complex weave of values and constituencies. In today's volatile mix of politics, personalities, and demographics, a well-conceived, upbeat, populist campaign could catch both parties off guard. Among Gen-Xers, who view both parties as corrupt to the core, a simple, straightforward, and pragmatic theme could bring them out in droves. Their widespread cynicism and political disengagement could shift quickly in response to a blunt-talking populist. At present, their materialism is mixed with an interest in spiritual quests along with a passion for the environment. Properly motivated, they have the potential to emerge as the nation's next swing-vote coalition with the capacity to redirect democracy. As the mainstream discovered in Minnesota in 1998, the right blend of message and messenger could galvanize a key constituency that pundits too quickly write off as not interested in politics.

Innocence and Ignorance

Three things are required to advance a more democratic capitalism. First, there must be a nationwide education campaign. In that always mysterious dance of leadership and "fellowship," the missing ingredient is our failure to ask the right questions. That makes the rollout of a populist education campaign essential. The capacity to think politically across the full tableau of history is uniquely *populistic.* That scale of thought is precisely what this education effort must help people to grasp. We must quickly *learn to learn* about the forces at work in today's endangered democracy. The reality of globalization requires that we educate ourselves to think both locally and globally. But we must also think historically so that we don't repeat the mistakes of the past. That's particularly the case on the sensitive issue of ownership patterns, for which naive and impractical reforms have long been the rule rather than the exception. And we must proceed with a profound sense of obligation to future generations, an element long absent from mainstream proposals.

For the most part, there's widespread innocence and enormous ignorance about the cruelly exclusive financial structure that underlies democracy. The workings of economics and politics are a mystery to many. That the two are inherently one is a revelation for most. Today's widespread political and economic illiteracy makes for a dysfunctional democracy that feeds a fast-spreading cynicism as people feel increasingly frustrated—both about their inability to change the system and about just what needs changing. Few Americans are in the position to take the time required to study these matters. Yet without some way of closing today's education gap, it will be difficult to muster the political support required for needed structural change.

Escape from today's intellectual and political servitude requires a corps of trained populist lecturers along with educational materials and nationwide venues to match instructors with interested people. These instructors need to be equipped with simple explanations that use flow charts, story boards, learning maps, and other highly visual and entertaining means to convey knowledge about issues long notorious for putting people to sleep. We must speed up a democratic learning process already very short on time. The tone should resemble that of a friendly campfire, or what Native Americans call a medicine council, in which people come together to learn, to share their experiences, to expand their thinking, to affirm their values, and to rekindle the spirit of community and commitment.

Second, we must restore our political confidence. This common-sense way of thinking will be labeled by some as radical. Those who oppose it will attempt to deflect these ideas from serious discussion. And they'll certainly attack the messenger (watch for the *Wall Street Journal* to apply its all-purpose put-down "gadfly"). Demagogic rhetoric should be expected, especially from those who see demands for inclusion as a threat to an exclusive system they've long portrayed as the natural consequence of free enterprise. Candidly, what these ideas most need is creative marketing. As people gain the confidence that accompanies understanding, we'll see the resurgence of a more robust democracy, one in which people *demand* their rights. The pride that people take in the rediscovery of the political and historical legitimacy of populist principles will generate the commitment required to *insist* on a more inclusive system. Political success requires that populists refuse to take no for an answer.

Third, there must be something for people to do. In politics, that's called mobilization. Shared effort in the pursuit of freedom and prosperity has a grand ring to it. And certainly camaraderie can be its own reward, as can education. Yet to succeed, this movement must be different from anything we've seen in this country since the turn-of-the-century agrarian populists. People will need to be courageous enough to heed their own common sense and to listen to lecturers from their own ranks rather titan passively accept as true the conventional Wall Street thinking that has led us so far astray. The populist concept, deeply rooted in democracy, must itself be their guide. That's why self-genera ted educational materials are essential, along with self-trained lecturers. In the two traditional political parties, credibility means looking for validation to that echo chamber that constitutes the Washington-Wall Street consensus: academics, think tanks, popular pundits, and like-minded policymakers. Populists don't yet have that. For now, their support network is their own sense of purpose and their dedication to democratic principles. In modern politics, that makes for a very new version of political unity—and a very new challenge for political mobilization. The excitement at what might emerge from the populist possibility must be converted into political action: What are people *to do?*

The Doing of Populism

An informed, confident, and engaged electorate would be a very new phenomenon in U.S. politics that could open this country to the possibility of change unlike anything seen in recent history. We must consider too the potential impact of this movement on those in similar circumstances abroad, where economic exclusion is even more pronounced. Word of such a populist initiative in the very heart of capitalism has the potential to catalyze a genuinely democratic century, particularly with the aid of today's global telecommunications. The global spread of a U.S.-originated populist movement would be ideal, from a democratic perspective, as it would repair our much-tarnished image as a leader in democratic development.

What are people to do? They need first to educate themselves and others, and then mobilize to change the policy environment—starting from wherever they are. A broadening of the nation's prosperity should top the list of legislative priorities. This book and my previous one (*The Ownnership Solution)* are replete with policy initiatives. There's no shortage of ideas, only an absence of education, initiative, and courage.

What will ensure political momentum is the capacity to maintain multiple methods of internal communication among those involved in this movement. Support systems must be created—to share experiences, to urge each other on, and to celebrate signs of progress. With the emergence of a broadly connected high-tech, high-touch society, the ability to maintain communication and momentum is far greater now than a century ago, when populism last had a chance at catalyzing significant change.

To maintain political viability, these ideas must engage people in dialogue in order to effect structural change. There must be the constant give-and-take of perceived problem and proposed solution. Vigorous exchange lies at the core of any genuinely democratic movement. Much of that can happen not only through conventional media but also through new communication channels, including the Internet, videoconferencing, and linked Web sites. Videoconferencing is now available by connecting a digital camera to a computer. Digital compression will soon allow the transmission of film clips over the Internet, opening another new vista for communication and mobilization, both here and abroad. For example, Republican presidential candidate John McCain convened a February 2000 cyber-conference and fund-raiser, complete with live video, on-line streaming of pictures and charts, and real-time polling on various subjects.

The roots of populism are found in a combination of personal self-respect and mass self-confidence. Self-respect requires self-assertion. People must know that their input can effect change. They must experience firsthand that democracy can work. Although the fellowship of like-minded people has a certain value, the emerging populist community—sometimes operating as a virtual community—requires a constantly renewed sense of accomplishment as the fuel to maintain its collective effort. A sense of accomplishment requires, at a minimum, a base of support through which a populist agenda can be advanced and from which populist candidates can emerge and be elected. A community cannot sustain itself simply because some think it should; it must show movement toward self-generated goals. Those goals must be realistic and the progress palpable. To achieve the goals requires an upbeat mix of passion, pragmatism, and persistence.

Populist Activism

There's an enormous amount that can be done through local initiative, including a vast array of projects in the environmental arena. Take the following examples:

- The establishment of wind farms in the Midwest was driven not by market forces or by a groundswell of public opinion but by a few concerned local legislators.
- In Minnesota, the legislature required that if Northern States Power wanted to continue storing spent nuclear fuel on its controversial Prairie Island site, it also had to provide renewable energy.
- In Iowa, the legislature mandated that at least 1.5 percent of energy be produced from renewable sources.

There are rules everywhere you turn. That's the real world of free-enterprise democracy. Populists must insist that the rules be rewritten so that they're equitable and sustainable—in other words, sensible. If you look through the recommendations in this book and then look through the list of committees in your state legislature, you'll find an issue of relevance for every committee on that list. Likewise for Congress. Populism is about bottom-up democracy. A democracy unlived is no longer a democracy. Look for what's needed and do it. Be demanding. Insist that your elected officials hold hearings. And that those hearings lead to new rules. Stop fighting the system; become a change agent in the system.

Engage in local action, whether in the streets or behind closed doors. Follow your passion, whether it's blocking retail chains, lobbying for bicycle lanes, insisting on better pay for child-care workers, petitioning grocery chains to label genetically modified foods, or pushing your pension plan to invest responsibly.[7] If you're at a private school with an endowment, make certain it's invested sensibly. Urge design retrofits for outdated buildings, organize a water conservation program, or spearhead experiments in recycling, restoration, or alternative energy. As a youngster growing up in Athens, Georgia in the early 1960s, I replanted fairways and greens at a local golf course using Milorganite, a pungent fertilizer made from reprocessed sewage that's still sold today by the city of Milwaukee. It smelled awful, but it worked great. What's your community been doing with its waste for the past four decades? What will it do for the next four? There may be a business there. Think like business. As ecologist-author Hunter Lovins suggests, take your values from your customers, your designs from nature, and your discipline from the marketplace.

Change local codes and ordinances so they incorporate the principles of living systems like John Todd's Living Machines or the use of landscaped swales rather than storm drains to handle water runoff. Use the saved money to beautify the landscape with shade trees and edible vegetation. Set standards. Publish a directory of local values-attuned firms. Urge the adoption of local indicators for sustainability. Support efforts to incubate small businesses. Don't worship the market; work with the market. Recognize it for what it is: a useful tool. For instance, Amory Lovins advocates "feebates" that encourage people to beat community standards and qualify for rebates while laggards pay higher fees. Properly designed, they're revenue-neutral.[8] Use time as your ally (that's what finance-savvy people do); constantly upgrade community standards. If change seems too daunting, convene a community medicine council and reflect with others on what can be done. Create a parallel economy in your community that supports local businesses. You'll be surprised how many people are already doing that. Use the media. Write op-eds and book reviews. Engage your local faith communities. I don't know of any faith that endorses today's grotesque inequality or unsustainability—or that suggests allowing people to starve. Most faiths consider it theft to withhold from others what they need to become productive members of society. Reach out. Act up. Have fun. Use ridicule, satire, slogans. Keep it simple.

Given the trends chronicled here, civil disobedience is highly appropriate, provided it's undertaken in a Gandhian manner: with a clear moral purpose, with concern for your opponent, with discipline, and with a willingness to take responsibility for your actions. You enjoy the full protection of the law so long as your actions are aimed not at overthrowing authority but at changing laws and practices. That's what people protesting the WTO (World Trade Organization) discovered in Seattle in December 1999. You'll be heartened at how sympathetic judges and juries agree. A Scottish judge threw out charges against antinuclear campaigners who damaged a *Trident* nuclear submarine installation on the grounds that such weapons are illegal under international law. The San Francisco-based Ruckus Society provides tactical training in nonviolent dissent, ranging from how to rappel down a building, to how to build a high-tech blockade, to how to dress in court for your arraignment. The group's emphasis is on creating obstructions to injustice, attracting media attention, and using this media wedge to impact public opinion—an essential tool for changing the rules. Use private court cases to outflank entrenched industries and their well-financed lobbyists. The hundreds of billions of dollars wrung from the tobacco industry has spawned copycat lawsuits against lead-based paints at DuPont and handgun makers at Colt. The courts provide an underutilized forum in which to sound a wake-up call. The latest activist koan is this: What is the sound of one unsustainable industry collapsing?

Do something. Start networking and dialoging. Dialog is how democracies learn; that's why free speech is essential for any functioning democracy. You'll be amazed at how many individuals and organizations are working on equity and sustainability (certainly the WTO was surprised in Seattle). Worldwide there's an estimated 100,000 nongovernmental organizations working on environmental issues. One of my favorites is Vancouver-based Adbusters, which publishes a magazine by that name with the telltale subtitle *The Journal of the Mental Environment.*[9] The organization's specialty is culture-jamming—using humor, art, and satire ("uncommercials") to skewer product pitches that glorify sex, violence, and pornography while eroding self-images, degrading human dignity, and encouraging shop-till-you-drop consumption that's wasteful, unhealthy, and unsustainable. Their knockoff cigarette ad of a wan Joe Chemo hooked up to an intravenous drip in a cancer ward is now a collector's item. Help locally by organizing Adbusters' next Buy Nothing Day (always the Saturday after Thanksgiving). Sponsor an uncommercial contest in local schools. Make change inviting and fun for people drawn to new ideas but stuck in an old model. Fight back against the consumer culture. Give your time to charity and send your friends "gift-free" certificates next Christmas (available from Adbusters). Stay optimistic. With passion and participation, we're just two short decades from a profound turnaround. Be careful that your actions don't feed today's rampant pessimism and cynicism. Engage people in upbeat, solutions-oriented behavior. That's the way to create a social multiplier effect. Whining doesn't work. Position yourself as a solutions maker, not a troublemaker.

At the same time, however, be realistic about what change requires. Keep in mind that the last time economic inequality was this extreme was in 1929, just prior to the Depression. Washington's response, many painful years in the formulation, was the job-generating New Deal. Yet even that modest and largely ineffectual political assistance (leaving ownership patterns intact) came only after major agitation in the streets. It's for good reason that democracy protects the rights of free speech and assembly. That clever "cybernetic" design ensures that backup feedback loops are available when, as now, the system's traditional circuits fail to produce sensible results. Given the extraordinary inertia that consumes Washington—along with the absence of leadership on an array of crucial issues—populists must activate those backup feedback loops to turn this around. Activism, boycotts, protests, litigation—those designed-in pressure points are meant to be used when, as the founders anticipated, democracy's operations periodically fall short of what it promises to deliver.

There's enormous potential here to transform the business community with reforms that originate from both the inside and the outside. On the inside, we can create more insider-shareholders; on the outside, we can create more ownership-empowered stakeholders along with a policy environment designed to give priority to equity and sustainability.

The Internet is emerging as a potential sleeper in effective organizing. For instance, in June 1999, a London-based group calling itself the J18 umbrella group, operating anonymously through the Internet, organized a "Carnival against Capital" in the City (London's Wall Street). Few participants in this virtual campaign knew die identities of those who called them into the streets.

Today's volatile mixture of worldwide urbanization and instant communication suggests the potential for mobilizing vast numbers of people on short notice to coalesce around commonly shared populist themes. Given the fast-accelerating nature of the economic and ecological trends chronicled here—and the worldwide reach of their effects—a genuinely global, populist-inspired activist and community may emerge as democracy's next authentic manifestation.

The Key Dangers Facing Populism

Three key dangers need to be anticipated. First is the temptation to substitute one received wisdom for another. Populism will fail if, in the allure of the new, those involved simply swap one pattern of deference for another. That's not authentic autonomy. Nor is it self-actualized citizenship. Little progress is gained by exchanging one form of intellectual servitude for another, one set of autocratic leaders for another, or one hierarchical system for another. Genuine populism is a mutual collaboration, not a guru-disciple capitulation. To endure, this shift to a truly consensual democratic culture must be embraced individually— thus the key role played by education and the need for a very new, widely distributed style of leadership (described in Chapter 11).

Second, populists must resist the temptation of the traditional. Personal, societal, and organizational creativity must all be cultivated. Today's very new circumstances call for experimentation and innovation. Change-agents must be careful always that proposals are familiar enough to be heard but different enough to be listened to. Our federal system of independent but affiliated states lends itself extremely well to just this sort of innovation. That's why, in these volatile times of widespread voter discontent and unimaginative national leadership, we should expect to see a steady increase in the election of populist governors at the state level. Modern-day populists recognize that what is required now are coalitions that previously may have been unthinkable. For instance, Mitsubishi, long the target of activist attack by environmental organizations such as Greenpeace and Rainforest Action Network, now works with both to design a new strategic vision for the company. Monsanto even seeks input from biotech opponents. Foresighted business leaders are beginning to join nongovernmental organizations lobbying for stricter environmental regulation in the interest of maintaining a level playing field with less environmentally sensitive competitors.

Third, to succeed, this populist sentiment cannot be an isolated phenomenon. It must mature into a genuine mass movement that catalyzes change in all sectors of society, including change in our two key political parties. Both are dominated by seasoned party veterans with a hierarchical makeup similar to that found in traditional military units and the corporate workplace. Today's populists—of whatever party—have both an opportunity and an obligation to create genuinely participative party structures, the first ever in this country, either by reforming the two existing parties or by starting their own. The danger lies in the temptation of modern-day populists to be consoled with their novelty instead of organizing to take advantage of today's unique political opportunity.

Political Parties Losing Support

If this twenty-first-century version of populism is to succeed, it must from the outset change the way America thinks. The stakes are incredibly high. Pessimists may argue that democracy has already been lost in this country. Indeed, I was urged to title this book *Democracy Lost.* Certainly record-low voter turnout suggests remarkably widespread disillusionment and deep-seated cynicism. Today's plutocratic ownership patterns only reinforce that perception. The populist opportunity lies in the ability to reframe the debate so that people are offered a real alternative through a politics of national identity wed to local initiative. As the world's bastion of democracy, U.S. populists cannot afford to lose this fight, particularly not when so many intransition countries are desperately in need of practical alternatives that can hold their nations together amid the tendency of opposing ethnic groups to rip them apart.

At present, the desire of U.S. officeholders to prevail at the next election has taken priority over the needs of democracy, global security, and the environment. Instead of a real political choice, we see a disheartening political fusion, with faint differences rather than clear distinctions being the focus of a flattened political debate. This vague and dangerous centrism masks problems rather than solves them. In a recent survey, only 50 percent of registered voters knew whether their U.S. senator was a Republican or a Democrat, the same result one would get from random guessing. That shouldn't be surprising in a political environment where articulate blather now fills in for forthright discussion. Even extremism is covered over with a veneer of well-coached pleasantries and finely honed sound bites so that "more of the same" is made to sound like positive change.

It's also clear that the so-called wedge issue (i.e., race) is poised to haunt those who have relied on it in the past (such as George Bush). Within the next ten years and perhaps sooner, Hispanics will become the nation's largest minority group. In 1997, the number of Hispanic children surpassed for the first time the number of African American children. By 2050, Hispanics will constitute almost one-quarter of the U.S. population, Asians will total more than 8 percent, and the African American population will grow to 13.5 percent. That leaves less than 53 percent classified as non-Hispanic whites. In a number of key states, this group will be in the minority. This will happen in California before the 2000 election.[10]

Neither of the major political parties listens well. Both are run by party regulars known to be well outside the mainstream, whether left or right. Conservative policymaking is frozen in an abstract and outdated economic model whose gale-force winds of constant change destabilize the very communities and families on which conservative values depend. Progressives, on the other hand, find themselves stuck without an identity. In moving steadily rightward, they lost the affection of their natural base, America's blue-collar workers, while picking up only lukewarm support from knowledge workers and the suburban middle class, whose swing votes are heavily courted by everyone. With few issues of substance to distinguish them from conservatives, the progressives turn instead to record-breaking fund-raising as their only way to stay in office.

Fund-raising has become easier as, over the past three decades, the number of interest groups increased fivefold, while the number of lobbyists grew eightfold. That's one reason Al Gore's campaign could confidently announce the intention to raise $52 million (as of this writing, the Bush campaign had raised more than $70 million). With more than 25,000 lobbyists now plying the halls of Congress, about fifty lobbyists per member of Congress can be tapped for campaign contributions. What's more, they all descend on the White House. As a general rule, U.S. senators must raise $10,000 each week to fund a viable campaign (the average winning candidate in 1998 spent $4.7 million). Those are just the table stakes. A contested Senate campaign in a major media market can cost upward of $20 million. It's not difficult to understand why the system seems so compromised, coopted, and ineffectual. U.S. politics is enormously unsettled, more so than at any time in memory. Only two changes are required to cause both major parties to lose their base of support: (1) an appealing alternative, and (2) increased voter turnout—which depends on whether there's an appealing alternative. Today's weak political involvement offers an unprecedented populist opportunity.

Elections as Educations

With a well-executed education campaign, voters will learn that populists embrace the core values of both conservatives and liberals, yet with a straightforward and pragmatic program that takes the nation in a very new direction. To prevail, populists need only educate people on four key issues. .

First is the extent of today's economic disparities and the certainty that they will worsen unless action is quickly taken. Voters don't fully realize how these trends work such devastation across a wide array of values that everyone shares. This issue alone could prove compelling, particularly when compared to the tepid messages conveyed by the other parties. Both parties have ignored this vexing issue for so long that they can now address it only by parroting the populists. That will be apparent to voters.

Second is the unmet obligations due our children—fiscal, environmental, social, cultural. Neither major party proposes genuinely long-term solutions. The populists are the responsible voice, offering the only political message with a theme of genuine intergenerational equity and a commitment to honor the rights of children. Chapter 12 looks at die environmental conditions that we are leaving our children and proposes how to address them.

Third is the antidemocratic nature of our current financial structure. People know that something is terribly amiss, but they're not sure just what. What they know is that present-day politics is not responding to their concerns or the concerns of those they know. A populist education campaign can change that. None of this is rocket science. It's easily explained, drawing on commonsense analysis and well-known historical facts. It's simple enough to name those who have led us so far afield. And those who failed to speak up. The populist message is one that's accessible and anti-elitist. Happily, populists only need speak the truth, something neither major party dares to do after embracing these trends for so many years. So long as the education campaign remains accessible to those with a modest education, it cannot help but trump the simplistic appeals and superficial sloganeering that dominate the airwaves for the other parties.

Fourth is the threat that economic centralization poses to the democratic tradition. The very remoteness of today's business sector—its globalization, its finance-dominant culture, its megamergers, its community-insensitive practices, its hierarchical management structure, its plutocratic pay practices—all combine to create a sense of people being cut out, left out, even driven out. Though management theorists wax eloquently about the proliferation of Internet entrepreneurs working in the e-lance, e-commerce economy, or in virtual consulting firms from their spare bedrooms, the stress and uncertainty that surrounds such isolated and disconnected lifestyles is taking a huge toll, both financially and psychologically. Much as the centralization of land ownership was the dominant characteristic of feudalism, the centralization of capital ownership has come to define—and endanger— modern-day American democracy. As financial efficiency gained dominance over societal effectiveness, democracy was the loser.

A populist education program can provide the intellectual and rhetorical firepower that people need to express their anxieties politically. At present, there's no culturally sanctioned way to make their views known. That's because there's no political party offering a platform with any hope of significant change. Instead, people complain. They turn cynical. And occasionally violent. Americans are hungry for a distinctive presidential platform around which they can coalesce that will take this country in a very new, very inclusive direction. What's missing is a campaign that casts old problems in a new light—and offers the hope of new outcomes infused with vitality and meaning.

At present, the stature of our elected officials ranks close to the bottom on the scale of societal respect. They've earned it. Yet that's the very opposite of what a vibrant democracy should be. Those who stand for political office brought this on themselves with their lack of creativity and vision and their tightly pinched concept of what the public wants and what democracy can deliver. At the same time, however, voters realize they're co-conspirators in this sad waltz of public-sector mediocrity and popular passivity. The pot drips what's in it. Voters know that their involvement has been less than robust. What they don't know is that, absent their engagement, it's impossible for social change to keep pace with technological change and with the fast-paced transition to globalization. Instead, they've deferred to others, undermining their political self-confidence by so doing. It's time they become directors of a system that up to now has directed them. They're ready for a wake-up call. The twenty-first-century populism outlined here is intended to be that call.

Tapping into Wisdom

The chief remaining legacy of U.S. democracy is our capacity to have quite significant democratic aspirations. Americans aren't unique in that regard, but we have far more faith in our ability to change than do citizens of most other countries. We know that democracy can work, despite its current atrophied state. We've seen dramatic shifts come about through inspired and thoughtful leadership that emerged from within our ranks, most recently in civil rights and in ending an unpopular war in Southeast Asia. We know that the wisdom embedded in the system can respond. If we work it, democracy really does work. My goal here is to provide some tools for working it.

My generation (the baby boomers) has an unusual advantage that should work to the benefit of populists. We are the first generation in history who routinely have parents still alive when we are in our fifties. Our elders are a remarkable, untapped resource. A nation with the longest-lived elders ever known should not let that asset go to waste. That unexplored realm is a potential gold mine for learning how we might do things differently based on what they know. Their testimonials on populist themes could prove enormously persuasive—what they think about economic disparities, the multidimensional obligations owed their grandchildren, and similar hypersensitive issues that the major political parties avoid like the plague. That may prove die best strategy for restoring ethics to the nation's political dialog as our elders explore their dreams and ponder our responsibilities. Those testimonials should be paired with those of their grandchildren and their great-grandchildren to address issues that have long gone unmet by either party, particularly in such key areas as the environment, health, education, civil cohesion, racial harmony, nuclear disarmament, and such. What intergenerational obligations are due? And which ones haven't the major parties met? That's just the sort of personalized grassroots sentiments on which populism is fueled.

In addition, the power of the older voter cannot be overlooked. Their influence has long been magnified because of a simple fact: They turn out at the polls. That's why it's so difficult to reform Social Security and why today's politicians spend so much legislative time focusing on senior-sensitive issues such as Medicare benefits, prescription drug coverage, and long-term care.

Our elderly population is doing reasonably well. According to the Census Bureau, the poverty rate for Americans sixty-five and older dropped to 10.5 percent in 1997, from 35 percent in 1959. We now spend nine times more per capita on those over sixty than on those under six, an issue that our seniors might also care to address. Their median income, in constant dollars, more than doubled between 1957 and 1992. Because many of today's elderly were in their prime working years during the Reagan-Bush era, they can be expected to respond to a conservative approach to financial matters. That's all the more reason why intergenerational fiscal obligations—a key plank in any populist platform—should prove particularly appealing to this key constituency. Also, they're quite aware that neither major political party is seriously engaged in Grafting a solution for Social Security. Instead, both parties are obviously jockeying for political advantage, hopeful that a misstep will provide an opening to demagogue the issue for political gain. Seniors need only be educated about the inter-generational ethics that underlie the populist sentiment. They've been around long enough to know what's missing and who is likely to supply it.

Education for Democracy

Education for democratic capitalism also requires a curriculum that can be adopted by secondary school and university faculty nationwide. From my work as an instructor in the MBA program at Emory University, I can attest from firsthand experience that today's narrow, finance-dominant, shareholder-value-focused, Chicago-inspired "economism" has been systematically and successfully drilled into the heads of degree candidates. The United States is now home to 748 graduate business schools, up from 125 at the end of the 1950s, which churn out 100,000 MBA degrees each year. The next generation of business leaders must be educated to think more comprehensively, more holistically, more pragmatically, more commonsensically—and more intergenerationally. That requires a concerted effort to break through the intellectual smog that the Law and Economics movement has spread nationwide.[11]

"The real world is by nature interdisciplinary," educator-diplomat Harlan Cleveland points out.[12] In a world where influences are interwoven and interactive, the education challenge for "the global century," he notes, lies in helping people "construct homemade ways of thinking about the whole."

If we are to have a sustainable free-enterprise democracy, we need an educated populace who understand the complex mix of relationships in which our commercial values are imbedded. Economic growth for the sake of growth is not the path to a viable democratic future. Yet change requires a populace willing to challenge whether endless economic growth and ever-expanding consumption can be sustained as our nation's central purpose. At the very least, a property-based system must be populated with people who know how to become owners and then to think like owners and to exercise their rights as owners. At present, there's no curriculum anywhere in the world that educates secondary-school and undergraduate students to become owners. Instead, they're educated to become employees. Trained and retrained, mind you, but *as employees.* This antidemocratic, dumbing-down anomaly must be addressed.

To evoke a leadership corps equal to this challenge, a true populist must show how to turn abstract ideas into everyday, concrete action. I address this question of everyday reality in the next chapter.

Chapter Thirteen
Share Our Wealth

> Those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments.
>
> Adam Smith

During Mahatma Gandhi's time in South Africa just after the turn of the twentieth century, he developed as a weapon of social justice, a notion known in Sanskrit as *Satyagraha,* literally, "firmness in truth." When faced with South Africa's apartheid system, in which he was considered "colored," he sought ways to wage nonviolent warfare as a way of defeating the enemy without harming him and without arousing feelings of hatred on either side. There lies the modern origins of civil disobedience used so effectively by Martin Luther King, Jr., and others in the U.S. civil rights movement of the 1960s, which gained for blacks the right to vote and other key elements of their previously denied citizenship.

What we face today is very different. We don't find ourselves without a vote. Or on the losing side of a vote. We face conditions on which no one has been *allowed* to vote. And we face circumstances— vast and fast-expanding economic inequality and tragic environmental degradation—that would never be approved *if put to a vote. As* a democracy becomes less and less democratic, the obligation to abide by its rules diminishes in land. That's the quandary we now face. And a key reason why democracy is in such jeopardy.

I'm not certain that we can design our way back to a sane and sustainable system in a peaceful way. I know we must try. For a nation founded on the notion of inclusion and dedicated to posterity, we've gone a very long way down the path of exclusion and unsustainability. Now we must find our way back and, if necessary, fight our way back. Though I hope that we can evoke rather than mandate a more just ownership result, any fully voluntary method for sharing our wealth would, in effect, reward yet again those whose wealth is already profoundly unjust. That's because any proceeds from voluntary sales are certain to favor those already unjustly favored. Plus we'd be buying at highly inflated prices—and be required to borrow the funds from-them for the privilege of making the purchase.

This book and my previous one, *The Ownership Solution,* aim to stimulate the creative thinking required to move us off today's stale, repetitious, and unproductive debate. Other ideas can be solicited through congressional testimony. I've been at this now for twenty-seven years. I've yet to hear even a word of disagreement concerning the desirability of the *goals* outlined here. Indeed, if I could harness the energy of all the nodding heads I've encountered along the way among policymakers and their staffs—both Republican and Democrat—I could drill for oil in east Texas. Yet still no one takes the initiative. No one. The leadership is simply not there. That suggests the time has come for more direct action. That's the purpose of this and the next chapter.

Here I make two proposals. First, I offer the outline of a practical plan for ensuring that more Americans have an opportunity to share in their nation's prosperity. These ideas draw their inspiration from the Long Plan proposed by Louisiana's Huey P. Long in the 1930s. His Share Our Wealth proposals were conceived as an answer to the rampant greed of the 1930s, the last time extreme avarice enjoyed political support in such a comprehensive fashion. Second, it must be recognized that we live in what can most charitably be called leader-less times, particularly when it comes to issues of intergenerational consequence—the future of democracy, civil cohesion, fiscal foresight, environmental conditions, and so forth. If our political leadership proves unwilling to lead us in this direction—as I anticipate will continue to be the case—what then? I propose in Chapter 14 that civil disobedience and "firmness in truth" is the essential next step required to advance this agenda.

These are critical times with crucial decisions that *must* be made— and soon. Demographics don't wait. Cascading crises—not only fiscal crises but also political, social, cultural, health, and environmental crises—confront us. If these long-festering issues continue to be left unattended, those of us committed to democracy must take the actions required to take our democracy back.

The agenda I suggest is not one that ages well. It cannot be put off for leisurely study and academic reflection. Or set aside for lengthy review by presidential commissions, congressional task forces, or official boards of inquiry. Action is needed now. Procrastination is its greatest enemy. The next greatest is incrementalism. Today's circumstances call for change that is both comprehensive and quick. That presents a particularly daunting challenge for a democracy designed to ensure that even rapid change is pursued in a deliberative fashion. A wealth-sharing agenda must and will be pushed along to enactment—if not by the forces of today's sadly stunted democracy then, let us hope, by the democratic forces of one newly established by the people for this purpose. For those who agree that this is an agenda with relevance to them and their children, it's essential that you assist in rousing others to action. Yet that arousal is only possible if the larger public has a chance to hear this message. That's the democratic way.

Share Our Wealth

Louisiana's Huey Long, for all his flaws (and they were many), viewed his plan as "destined to save America from Communism and Fascism." [1] While other politicians of his era were promising to remake America, he was promising to "sustain" it. Though the collapse of communism, let us hope, has saved us from any resurgence of that ill-conceived notion, it's not at all clear that this nation will be spared the yoke of fascism. If we hope to live in a country where healthy dissent, diversity, and political equality are celebrated rather than barely tolerated, we must find a way to ensure the widespread economic self-reliance so essential to individual liberty. That's a key reason Ronald Reagan declared himself an early advocate of these ideas, characterizing them in the mid-1970s as "the answer to the stupidity of Karl Marx." And, he might have added, to the perils of a Benito Mussolini. In a similar vein, I recall walking into the Senate Finance Committee with Russell Long and Bob Dole in 1984, when Long asked that Dole, then chairman, call for a vote on a Long amendment encouraging employee stock ownership plans, which Dole agreed to do. Dole prefaced that vote in a way that should resonate with those who may wonder why I dare speak highly of Huey. "I don't know much about ESOPs," Dole quipped, "but Russell reminds me that when people own property they vote Republican, and I'm for that." Long's proposal received a unanimous vote in the committee.

Therein lies the paradox for conservatives who would embrace too radical a version of laissez-faire capitalism. "The problem with capitalism," Russell Long often reminded his colleagues on the committee (many of them multimillionaires), "is that it doesn't create enough capitalists." Thomas Jefferson understood that. Back when land was the most important form of capital, he included in his draft of the Virginia Constitution of 1776 a provision that every person of voting age "neither owning or having owned 50 acres of land shall be entitled to an appropriation of 50 acres." [2] In a democracy founded on the rights of private property, he knew that provision must be made to ensure the broad-based personal autonomy that accompanies the ownership of property. That's why the Long Plan seems in retrospect quite conservative, albeit populist. What he proposed was a variation on a point first raised by Plato, who cautioned that the republic is endangered when its policies allow personal wealth disparities to exceed five to one. Long proposed a far more generous one hundred to one. Nor did his proposals suggest that wealth be redistributed—in the sense of being taken by the government and spent by politicians on their pet programs. Quite the contrary. Like his conservative son Russell, Huey sought a way to capitalize individuals, not bureaucracies.

Share Our Wealth, Huey Long-Style

Unlike his son, Huey was not a financial sophisticate. But he had a feel for politics, as Franklin Delano Roosevelt soon discovered. It was Huey's credibility as a political candidate that lent political substance to his populism. Plus he had the gift of gab. And he didn't mind playing in-your-face politics with someone he considered a patrician and who, in turn, viewed Long as a back-country rube. However, Roosevelt, the New York sophisticate, soon discovered that this white-suited former Southern governor posed a serious political threat. When Huey announced his Share Our Wealth program on nationwide radio in a February 1934 speech titled "Every Man a King but No Man Wears a Crown," Long received 140,000 letters from a Depression-weary public whose plight, he assured them, was worsened by the unbridled greed and policy-endorsed excesses of that era's pampered rich.

"A New Deal?" Huey thundered, incredulous at the narrow scope of FDR's plans for economic recovery. "It looks like the Same Old Deal to me." Truth is, he wasn't far off the mark, at least from an ownership perspective. The country was sinking deeper into the Depression, and Roosevelt was uncertain where to turn. At one point, he engaged Huey in debate, quickly retreating when his opponent received more than 30,000 letters of support each day over a twenty-four-day period. Long also had his eye on what remains the heart of the problem: the financial system. When FDR proposed consolidating the Federal Reserve's powers in Washington, Long supported the notion, but only if the central bank was controlled by directors elected by the people. "After all," he charged, with all the irony present in the midst of the Depression, "the people make fewer mistakes than those which can be charged to private bankers." Long's solution: authorize a Federal Reserve Board with one director for each state; fix their terms at six years and elect one-third of them every two years. When bankers objected on grounds that this move would result in the popular control of banking, Long ridiculed their opposition as "the most unpatriotic, greedy, and heartlessly selfish thing in America today."[3]

By the time Huey was ready to prepare seriously for a presidential campaign, he could claim that 7.7 million people had joined 27,431 Share Our Wealth clubs nationwide. By April 1935, his office was receiving 60,000 letters a week. In his book, with the attention-grabbing title *My First Days in the White House* (published posthumously), he laid out his political strategy for implementing Share Our Wealth if he won the 1936 election. He proposed to appoint John D. Rockefeller, Jr., chairman of a National Share Our Wealth Committee, assisted by Andrew Mellon, Charles Schwab, Bernard Baruch, and others among the Gilded Age's masters of finance, as he depicted them. Their charge: to devise a plan for sharing wealth through the imposition of a "capital levy" on family fortunes in excess of $5 million ($62 million in 1999 dollars).[4] By appealing to their patriotism, he was confident that Rockefeller and the others would cooperate. Certain that J. P. Morgan's firm would not, Long banned from the process both the Morgan and the Drexel firms.

Anticipating the plan that he expected the committee to propose, he urged that this "surplus wealth" (in the form of corporate stock) be turned over to a corporation that, in turn, would issue its stock for distribution "among the peoples according to any plan deemed suitable by the Congress." Ironically, the structure that Huey envisioned is remarkably similar in form to Warren Buffet's investment strategy whereby the Omaha-based multibillionaire invests long term in a portfolio of securities, with investors sharing the wealth through their individual stakes in Berkshire Hathaway, a Buffet-founded holding company. Huey didn't lay out the full mechanism for Share Our Wealth; he just knew that something had to be done and that the democratic process was uniquely well suited to sort it out once the question was properly framed. That remains the challenge today. The timing seems propitious. For instance, a 1998 Gallup News Service survey found that nearly half of Americans agree that the government should redistribute wealth by hefty taxes on the rich.

Every Man a King

Huey also began to lay plans for a vigorous presidential campaign for which he was well positioned to raise funds from banks and corporations that anticipated he might dislodge FDR, allowing Republicans to regain the White House. Conspiracy theorists of that era charge that Huey's hidden agenda was to unseat Roosevelt in 1936, confident that four years with another Republican in the White House would plunge the nation into an even deeper depression, paving the way for Long's landslide election in 1940. By early 1935, Roosevelt's New Deal was at a crossroads. Programs spawned by his vaunted First Hundred Days had fizzled. Criticism was mounting. Although he continued publicly to ignore the Louisianan's fast-growing political insurgency, his anxious brain trust commissioned the nation's first rigorous presidential public opinion poll. Its sole purpose: to gauge Huey's political appeal. Devised by James "Big Jim" Farley, chairman of the Democratic National Committee, the postcard ballot was accompanied by a six-paragraph cover letter dated April 30, 1935, from the editorial department of a fictitious *National Inquirer* magazine. With Farley serving double duty as postmaster general, return postage was prepaid. Distributed to 150,000 people, the poll posed a presidential horse race question: If the presidential election were today, would you vote for (1) Franklin D. Roosevelt, (2) a Republican candidate (unnamed) or (3) Huey P. Long.

The results confirmed their worst fears. Though Farley limited the tally to only two-thirds of the ballots returned, ignoring those from people on relief (who were doubtless even more sympathetic to Huey), FDR's populist nemesis polled 10.9 percent of the vote. That put this brash dissident in the clear spoiler position, ensuring him the balance of power in the upcoming 1936 election. To their horror, the poll also documented Long's popularity well outside the rural South, showing substantial support in key industrial states, enough to transfer five major states to the Republicans, including Roosevelt's native New York, with 122 electoral votes. Even in California, Share Our Wealth was poised to pick up the pieces of the "End Poverty in California" campaign after Upton Sinclair's failed bid for governor in 1934.

Share Our Wealth or Tax Our Paychecks?

Though historians hotly debate Long's impact on what emerged in June 1935 as Roosevelt's Second Hundred Days, a close adviser to Roosevelt confirms FDR's comment that he intended for his proposal to "steal Long's thunder."[5] Certainly Long's fingerprints are all over what emerged. The legislation included not only a "soak the rich" tax but also a hike in inheritance taxes, a graduated corporate income tax, and the Wagner Act (already under consideration), which guaranteed the rights of labor (Huey advocated a minimum wage and a thirty-hour work week). Looking back, these measures marked the nation's first embrace of a genuinely progressive agenda, permanently changing the face of national tax and labor policy. The most radical, even socialist proposal was Roosevelt's endorsement of social security.

Russell Long shared with me a revealing anecdote from that era. He said that Arthur Altmeyer, the nation's first social security commissioner, had once told him about a meeting that Altmeyer had with FDR concerning social security. According to Altmeyer, he left their meeting uncertain whether he had been summoned to discuss Russell's father or to discuss Social

Security. That's because whenever FDR mentioned Social Security, Altmeyer said he could hear him mutter under his breath, "That damn Huey Long."

Is that comment significant six decades later? You bet. Instead of Long's Share Our Wealth, we got FDR's Tax Our Paychecks. Social Security payroll taxes now account for one-third of the federal government's tax revenues. That progressive-era levy is now the largest tax paid by a majority of Americans and the single greatest tax paid by 90 percent of Gen-Xers. It's also our most regressive tax, computed at a flat 12.4 percent rate on income up to $72,600 (thanks but no thanks, Steve Forbes, we already have a flat tax). Social Security is now the only pension for more than half those in the private sector. Thus, the most significant "wealth" for most Americans is an assurance that someone else will be taxed on their behalf. Adding insult to injury, the tax is levied on jobs, the sole link that most Americans have to their capitalist economy. Adding outrage to insult, rather than asking why so many Americans remain dependent on social security more than six decades after its inception, Washington instead debates how to finance it. You can bet something is fundamentally amiss when a program designed as a Depression-era social safety net becomes instead most Americans' largest "asset."

Adding stark terror to outrage, insult, and injury, the same economists who defend today's brutishly exclusive private property system now serve as favored advisers to ninety-five fledgling economies worldwide that are struggling with the transition from socialism to capitalism, a political feat roughly equivalent to unscrambling an omelet. These finance fundamentalists conveniently forget that many of those in-transition nations embraced socialism precisely because of harshly exclusive ownership patterns. Yet with high-paid advice from our academic and financial elite, those plutocratic patterns are again emerging worldwide. Rather than embrace a capitalism designed for inclusion, they instead divert the debate—ensuring that any discussion of design is limited to Grafting the most financially efficient safety net to accompany a capitalism certain to remain highly exclusive.

Why Not Share Our Wealth?

We'll never know whether the Long Plan would have worked. On August 9, 1935, Huey Long presented his shocked Senate colleagues with a transcript indicating a plot to assassinate him, including an unidentified voice bragging, "I haven't the slightest doubt but that Roosevelt would pardon anyone who killed Long." A month later, Huey was gunned down in a hallway of his vaunted statehouse in Baton Rouge, shot by the son-in-law of a state judge Huey planned to remove from the bench. He died two days later at the age of forty-two. Russell, age sixteen when his father was slain, assures me that Huey (he typically referred to his father that way) was murdered by an obscure "them," implying that it was those who viewed his presidential ambitions for what they were: a credible electoral threat.[6] Others aren't so sure. All we know for certain is that the Roosevelt Treasury ordered an investigation of Long's tax returns as well as returns of many of his allies, a common political harassment both then and now. We also know that FDR had long denied federal patronage to Huey's allies, lavishing it instead on his enemies, another political tool that remains in widespread use. Historical records also confirm that after Long's death, federal funds for Louisiana flowed in such abundance that ousted Share Our Wealth supporters labeled it the Second Louisiana Purchase.

That's the last time a U.S. office-seeker dared address our ownership patterns. No one other than Huey Long has since advanced an agenda to turn capitalism into a system broadly populated with capitalists. I don't know why. Perhaps it's because the world's two most-quoted and least-read economic theorists, Marx and Keynes, excluded that possibility from their analysis. In his foreword to *The General Theory* (1935), Keynes mused: "In so far as the distribution of wealth is determined by the more or less permanent social structure of the community, this also can be reckoned a factor, subject only to slow change and over a long period, which we can *take as given* in our present context." What if the distribution of wealth were no longer regarded as "given"? What then of Keynesian economics? Similarly, a close reading of Marx suggests that broad-based personal ownership rather than state ownership would have provided an equally satisfactory solution to the evils of concentrated capitalism that he found so repugnant. As Marx put it: "You are horrified at our intending to do away with private property. But in your existing society private property is already done away with for nine-tenths of the population; its existence for the few is solely due to its nonexistence in the hands of those nine-tenths." What then is the point of socialism if capitalism is rewired to share the wealth with those nine-tenths? What then of Marxist economics? I suggest that the only sensible and sustainable defense of free enterprise must be based on the appeal of inclusive design rather than on the threat of nuclear weapons—with a mix of populist policies that ensure ownership is spread among those nine-tenths.

Wealth must be both generated and distributed. Either one in isolation is insufficient. The political left typically limits itself to vague proposals to redistribute wealth (tax the rich), ignoring what's required to generate wealth. Meanwhile, the political right limits itself to vague proposals to generate wealth (laissez-faire), ignoring the need for policies to distribute it (a rising tide lifts all boats). As events since the collapse of communism have made clear, there are no major ideological alternatives to free enterprise. The question is how to ensure it works in an optimal fashion. The alternatives to free enterprise don't work, as those who now reject them will readily attest. When all else fails, perhaps we'll finally turn to common sense and design capitalism for inclusion.

No Person Wears a Crown

In November 1998,1 traveled to the Old Statehouse in Baton Rouge to participate in Long Day. The commemoration brought out the historians, the pundits, and the politicians, both retired and current, plus a gaggle of press. Many of us had a few stories to add to the Long legend, arguably the nation's most colorful political dynasty and certainly its most controversial. Huey alone generated enough material to spawn both a 926-page Pulitzer Prize-winning biography and a Pulitzer Prize-winning novel, *All the King's Men* by Robert Penn Warren.[7] During his time as governor, Long was both reviled by the rich for his heavy-handed politics (giving populism a bad name that lingers still) and praised by the poor for his many social welfare programs, including roads, bridges, hospitals, schools, and even free schoolbooks, a radical and much-needed political innovation in a state that then ranked forty-seventh out of forty-eight in literacy.

Though the times are now very different, Huey remains correct on his key point: Ways must be found to Share Our Wealth. Despite Huey's many detractors and his controversial politics, he could claim thousands of formerly dispossessed Louisianians who gratefully recalled him decades later as simply "the Kingfish," their poverty-plagued lives improved by someone willing to confront the forces of capital during an earlier, similarly radical laissez-faire era, and bend those forces to the common good.

Russell Long, now eighty-one, still frets about the prospects for a free-enterprise democracy once "those on the taking down end begin to outnumber those on the putting up end." Yet without a Share Our Wealth program, that's where we're headed. Every seven seconds for the next ten years, an American will turn age fifty. In 1998, we had thirty-four workers for every ten social security beneficiaries. By 2030, when our last baby boomer turns sixty-five, the Social Security Administration projects that we'll have about twenty-one to twenty-three workers for every ten beneficiaries. Yet even that fails to capture the full extent of the challenge, because 80 percent of boomers expect to continue working during retirement, either part-time, full-time in a new career, or by going into business for themselves.[8] That will put additional downward pressure on Gen-Xers' job prospects. By 2050, an unprecedented 21 percent of the population will be sixty-five and over, compared with 12 percent today. Why that demographic wake-up call has not yet been heeded should concern us all-and should give pause to anyone who thinks well of today's political leadership We can wait no longer. The policy environment must be redesigned to ensure a broader sharing in our nation's economic well-being. Whether voluntarily or otherwise, we must begin *now* to share our wealth.

Chapter 15
Common Questions

If a thing must be done, it can be done.

Eleanor Roosevelt

Democracy is dialogue. Here I respond to some of the most common questions that arise in the dialogue surrounding this subject. Please send any other questions to <www.sharedcapitalism.org>.

Q: This sounds to me like radical left-wing communism. Is it?
A: Communism is ownership by the state. This is ownership by you. Conservative Republican Ronald Reagan characterized these ideas as "the answer to the stupidity of Karl Marx." The eighteenth-century Virginian Arthur Lee may have put it best, noting simply that private property is "the guardian of every other right."

Q: This sounds to me like radical right-wing capitalism. Is it?
A: Capitalism involves the private ownership of productive capital. What we have now is a radically exclusive form of plutocratic private ownership. I propose instead a radically *inclusive* form of *democratic* private property capitalism. It's radical only in the sense that it gets at the root of the problem by reframing the problem. Proponents span the political spectrum, from Jesse Helms to Jesse Jackson.

Q: If this is such a good idea, why haven't we done it before?
A: If peace is such a good idea, why isn't it breaking out all over? More seriously, ownership patterning remains even now a blind spot in both economics and politics. Economists don't know how to think about it, policymakers refuse to talk about it, and the greedy don't want you to know about it. Yet surely patterns of private ownership must have relevance in a system built on the notion of private property.

Q: If we're in such trouble with just a few capitalists, why do we want to create more?
A: Have you ever seen a practical plan for eliminating capitalists? Attempts to do so have proven disastrous. I argue that it's not private ownership that's the culprit but a combination of concentrated and disconnected ownership.

Q: If the only mission of the corporation is to make money and yet you say that financial values are already too dominant, aren't you making a bad situation worse?
A: The mission of the corporation is to maximize shareholder value. The corporation has proven itself enormously effective in doing so. With ownership held largely by the few and by money managers, the pursuit of financial values has become the default mode in the pursuit of shareholder value. As more people become capitalists and hence stakeholders, those "up-close capitalists" can insist on the pursuit of a broader range of values.

Q: You concede that globalization is here to stay. And we know that free trade has long been a way to raise living standards and fuel economic growth. Isn't this some sort of "globalphobia"? Wouldn't this choke off trade?

A: Quite the contrary. Trade can be hugely beneficial. But don't let rhetoric replace reason. We know that rule-free trade can also degrade. We've seen it hollow out high-paid jobs, damage the environment, create multinational monopolies, and undermine the democratic process while also concentrating wealth in precious few hands and leaving countless millions exposed to a very Darwinian situation. We best capture the benefits of trade by addressing the inevitable tension between commercial freedom and the general welfare, mindful that democracy will always be plagued by some individuals (and firms) insistent that their financial interests should prevail over the common good. The goals of finance should never be allowed to prevail over democratic principles.

Q: You imply that some elected officials are pawns of the well-to-do. Is that so?

A: I can't judge those you elected. I suggest that you judge them by the results. The results chronicled here suggest that we've not yet realized the broad citizen representation envisioned in the Constitution. The Tibetans have a saying: "Roll all blames into one." The real fault lies in not seeing ourselves as an indivisible one. The culprit is not evilness but ignorance. Democracy is designed to reflect your interests. But you must insist on it. Get informed. And stay engaged in the dialogue so essential to a living democracy.

Q: Are you suggesting that we redistribute the wealth?

A: Wealth is already being redistributed—upward. As I document, it's not trickling down; it's gushing up. The market does the best job of allocating resources to produce prosperity. Most everyone agrees on that. The question is how to distribute the prosperity. The market directs income to whoever owns productive inputs. Finance those inputs into a few hands, and guess where the prosperity flows? Our many decades of reliance on income redistribution has been like trying to fix a leak with a bucket.

Q: Isn't this just envy run amok, an egalitarian, slippery slope that's certain to result in more government interference in our lives?

A: Quite the contrary. One key psychological goal is to remedy the self-blame that people feel in a system they know is unjust but in which they're told they've only themselves to blame. If a hundred-to-one ratio in wealth disparities sounds egalitarian, then I urge that you present your case for more inequality. Inequality per se is not what irks people; it's the combination of unearned rewards, unfair advantages, and extreme inequality. The goal is not an egalitarian society, but a sustainable democracy and a smaller government.

Q: In a free society, shouldn't all this be purely voluntary?

A: I've been advocating voluntary programs since 1973, when I was twenty-seven. I continue to do so now in my fifties. Inaction is purely voluntary. That's what we've had so far. Continued in action is certain to result in even more dramatic economic disparity. Take your pick.

Q: How would you describe today's economic scene now that we see so little difference between Republicans and Democrats on economic issues?

A: Disconnected, divisive, dumbed-down, demonstrably unsustainable, and rapidly becoming more so.

Q: Who are the best candidates to become populists?

A: Fed-up Democrats, reformed Republicans, loosened-up Libertarians, and any independent, whether Reform, Green, or otherwise.

Q: What makes you think the powers-that-be will let you get away with this?
A: In a democracy, *you* are the powers-that-be. If that sounds to you like a reasonable proposition, then get educated, get into action, support this agenda, and create your own agenda. Power concedes nothing without a demand. Be demanding.

Q: How do you define wealth?
A: I've been at this for twenty-seven years and I still have difficulty defining it. However, I do think I can define poverty. Poverty is being denied the capacity to give. A widespread sharing of prosperity provides a means for unlocking human generosity. Generosity, I suggest, lies at the heart of any genuine democracy.

Q: Aren't you buying into the growth model of economics? Won't this further endanger the environment?
A: Like Adam Smith, I expect people to look after their best interests once they have the capacity to do so. I point to today's *disconnected* capitalism as the environmental culprit because its values are too dominantly financial. A component of up-close capitalism changes the frame of reference by injecting personal, community, environmental, and intergenerational values into economic decision making.

Q: How do we know this will all work out?
A: We know that current economic policies are generating horrific results. If we revisit core democratic principles, the notion of a genuinely peoplized free enterprise emerges as the most logical way forward.

Q: I was told, "If it ain't broke, don't fix it." The stock market is doing fine; why rock the boat?
A: I've documented here that it *is* broke and certain to get more so the longer we delay in enacting a policy environment that addresses today's widespread lack of household assets and rampant economic disconnectedness. Ecologically, we need to concede huge gaps in our knowledge regarding biotechnology, global warming, holes in the ozone, aquifer depletion, bioaccumulative toxins, and the like. The precautionary principle suggests that operative credo in both economics and ecology should be "If you don't know how to fix it, don't break it." Today's "Wall Street Rapture" has overridden our common sense.

Q: What makes you think that the average American is smart enough to be a capitalist?
A: We can wait until everyone is smart about ownership and then convert them into capitalists. Or we can make them owners and use that relationship to smarten them up. Or we can continue, as now, to do neither.

Q: I know people who will sell anything as soon as they get it. What's the point of the Federal Share Our Wealth Corporation?
A: The answer depends on what the National Share Our Wealth Committee recommends. They may suggest that shares be held in trust for a number of years, much like an individual retirement account (IRA) or an employer-sponsored pension. Perhaps they'll suggest a sliding tax scale that rewards long-term shareholding. In any case, let's use this period to educate people on what's required to become an owner and the benefits of long-term capital accumulation.

Q: By the time you share today's wealth with 274 million Americans, there won't be much to go around.
A: We've got to start somewhere. At present, we're taxing each other's jobs to fund an extremely modest social security benefit. The ratio of jobholders to retirees is worsening at a

steady clip. The goal is to start small and make it grow. If we cap the wealth of the most well-to-do people, that alone ensures that our future prosperity will become more widely shared, particularly as fast-expanding global capital markets bring more financial wealth into being. Money is like manure; it works best when spread around.

Q: Your notion of community-responsive information flows and people-empowered feedback loops sounds good in theory, but some people simply don't want to be bothered.

A: Maybe that's because they've never experienced a system in which their voice counts.

Q: If we attempt to reallocate the nation's surplus wealth, won't the well-to-do simply transfer their wealth to foundations and other nonprofits?

A: That wouldn't surprise me. That's not necessarily a bad development. The IRS requires that foundations pay out at least 5 percent of their capital each year for public purposes. That would be an improvement over today, where wealth is accumulated only for the sake of more accumulation. However, we need to revisit that minimal pay-out requirement, particularly when the Standard & Poor's 500 has averaged 17.6 percent growth over the last two decades. In addition, we need to pay far closer attention to what passes muster as a public purpose. At present, a lot of vanity foundations qualify and arguably shouldn't.[1]

Q: Aren't you worried about the nonprofit sector getting too large?

A: Peter Drucker projects that soon one of three new jobs will originate in the nonprofit sector. My concern is that the nonprofit sector will continue its current practice of blindly entrusting their funds to capital markets, using their investment returns to address problems that would be far less severe if only the nation (and the foundations) invested funds to foster broader economic self-sufficiency and environmental sustainability. The nonprofit sector needs to do a much better job of questioning today's rules if they hope to get better results. At present, many foundations are part of the problem.

Q: Aren't you worried about people putting all their eggs in one basket, particularly if both their investment and their job are tied up in the same company?

A: It's amazing to me how this concern consumes commentators when so many people have neither eggs nor a basket. It reminds me of the adage "I started out with nothing and still have most of it left." Diversification is a terrific way to minimize risk once you've accumulated some capital to risk. In addition, what's proposed here goes well beyond the notion of employees' owning employer stock. Yet even there the evidence suggests that ESOP companies both pay better and provide better retirement benefits than the norm.[2] It's envisioned that Share Our Wealth portfolios will be quite diversified.

Q: Isn't this something for nothing?

A: Hardly. Something for nothing is when the average wealth of the four hundred richest Americans increases by $1,287,671 *per day* from 1997 to 1999. For those not yet capitalized, they can't possibly give any more than they've got. Many people are going full out already and are barely getting by. Yet we're expecting them to save their way to significant capital accumulation? That's not only impossible; it's insulting to suggest they could. And naive to suggest they would.

Q: Aren't people better off now than they've ever been—more cars, appliances, TVs, stereos, VCRs, personal computers, you name it? So what if the rich get richer so long as we see a rising standard of living?

A: Without a doubt we have the richest poor people in the world. And certainly the standard of living is higher now than it's ever been. Yet it's virtually stagnated for 80 percent of Americans for the past twenty-five years. Also it's clear that the immense baby boomer generation won't have the capital required to sustain themselves as they move into retirement. We have the means available in this country for widespread abundance and leisure. The more relevant question is Why should we allow a few to monopolize the nation's abundance?

Q: Isn't this risky? You can make money with stocks, but you can also lose.
A: Economists recommend that we limit risk to the well-to-do because they can better afford to bear the loss. If you limit risk to the wealthy, guess who gets wealthy? Plus, diversification within Share Our Wealth should address that concern.

Q: Ownership motivates business creativity. Aren't we endangering the nation's entrepreneurial spirit?
A: To suggest that ownership (or prosperity) be limited to entrepreneurs is like advising that inner-city kids become world-class basketball players. Although entrepreneurs will always be a valuable force in any dynamic economy, we now have substantial *overcapacity* in many industries. We need more creativity in how to share our prosperity, and how to extract more productivity from our natural resources. We also need to export our entrepreneurial talents to those nations struggling to escape from poverty, including the former socialist countries, where entrepreneurs are in such short supply.

Q: Why should public policy penalize success?
A: There's a fiction afoot in the land that all great fortunes are "earned" when, in reality, many are due to inheritance, good luck, and even antisocial behavior. The question also assumes that personal success is a solitary effort. Nothing could be further from the truth. Private fortunes are built on a foundation of public investment, ranging from educated workers, to paved highways, to government research, to court systems for enforcing contracts. We all contributed to the prosperity now harvested by a few. Or think about it this way: If a "flat tax" imposes a 10 percent tax burden on a worker's $30,000 income and the same tax on an investor's $300,000 income, the worker is left with $27,000 and the investor with $270,000. Whose success is really penalized?

Q: Wasn't this nation built on a foundation of great wealth?
A: What's the point of great "wealth" (from the Latin for *well-being)"?* Spending the interest on $1 billion is a full-time job ($1 million per week if invested at 5.2 percent interest). If you can't spend it, what's the point? Do we really want to encourage the fortune-facilitated antics of recluse Howard Hughes or tobacco heiress Doris Duke, who gave two camels the run of her house? The well-being of democracy would be much improved if we made it "billionaire-free." Let's hear the argument for the other side.

Q: Is this notion liberal or conservative?
A: It's populist. A parable reminds us of how easy it is to give meat to a tiger but difficult to take it away. Once people have some ownership, they protect it. That's conservatism. But first a policy environment must make that feasible. That's liberalism. Why and how we do it is what makes it populism. It's done to assist people in living free and with a sense of confidence and dignity among political equals. That's the goal of any true democracy.

Q: Is this constitutional?
A: I've no doubt that Share Our Wealth will be challenged in the courts. Any number of grounds can be invoked on which it should be upheld. If it's found unconstitutional, then we'll need to amend the Constitution and, over time, replace today's jurists with people better attuned to the times—and to the Constitution.

Q: We live in a federal system. What if a state governor refuses to cooperate with Share Our Wealth?

A: If Share Our Wealth has the support of the people, any governor would look foolish opposing it. Imagine, for example, if a governor calls out the National Guard to resist. It would quickly become apparent just whose interest is being protected. That governor had better be careful. As we say here in the South, people may figure out which rabbit to shoot.

Q: The foreign policy elements seem particularly challenging. Why would other nations cooperate?

A: Because it's the right thing to do. And they've tried everything else. If we show how it can be done here, people will hear about it. Concentrated wealth is now the global norm. That must change if we are to have a global democracy and sustainable development. The question is how to make the needed changes with as little disruption as possible. There are many points of leverage that can be used. We should use them all. A key leverage point in foreign policy is to demonstrate our commitment here in the United States.

Q: You make this sound like a do-or-die situation for democracy? Are things really that serious?

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Q: You make this sound like a do-or-die situation for democracy? Are things really that serious?

A: Each generation is trustee for the next. We carry within, us both the intentions of our ancestors and the hopes of our descendants. The choice is ours. This can be the age of wisdom or the age of foolishness.

Q: What can I do?

A: Talk it up. What's most needed at this point is ears and eyeballs. In today's hurried-up world, time and attention are our most precious commodities. I offer here a very new way to think about what it takes to create and sustain a modern-day democracy. If we are to make the changes required, people must know about this so that they can support it. Great things begin by the thinnest edge. Anything positive you can do to raise its profile will help. Stay tuned in to <www. sharedcapitalism. org>.

Epilogue

> It really boils down to this: that all of life is interrelated. We are all caught in an inescapable network of mutuality, tied to a sing e garment of destiny. Whatever affects one directly affects all indirectly.
>
> Martin Luther King, Jr.

In good conscience, the United States should begin this new century of capitalism with a mea culpa. Our stature in the world community would be much enhanced if we simply concede what everyone already knows—that our pell-mell worldwide pursuit of profit has been accompanied by considerable human, political, and ecological damage. It's also true, of course, that much good has been done. Living standards have risen for some at a pace never before witnessed in human history. However, even this apparent victory has been accompanied by a palpable inner poverty—a spiritual vacuum—that has come to define our troubled, finance-obsessed times. We need to "own" that result and pledge our considerable creativity to its correction. The United States should also, as a nation, bear witness to the preventable misery that typifies life for most in the human family. That's not so we can be accused of die obvious but so we can motivate ourselves to move forward in helping bring to a close this self-absorbed era in human development.

As a nation, we would do well to have our dark side step out of the geopolitical shadows so that we can be candid about the imperfections of our system and about our own hidden difficulties. That includes not only the inequities we've ignored domestically and those we've fostered internationally but also the fact that we're shoving so many Americans into jobs too small for their spirits. Our overwrought, even strident pursuit of financial values should be acknowledged as often out of step with the values that underlie democracy. Our hyperconsumption lifestyle and our identification of value with monetary value have subtly become a sort of official idolatry, a disturbing reminder that the word *worship* means "to value." [1] By embracing Chicago-inspired financial fundamentalism with such enthusiastic naivete, we created a category of value called "financial returns" and then began to craft our foreign policy from that perspective. Now we've allowed that notion to spin wildly out of control when what's needed is an increased capacity for empathy, compassion, and ecological common sense. Absent that, the market-myopic freedom we enjoy will continue to imperil both ourselves and others while degrading the shared commons in which all our activities are embedded. Today's unbounded capitalism is a danger not only to democracy but even to itself. Religion scholar Joanna Macy urges that we revisit our biblical tradition and its view that humans are destined to go on somehow to a better world. This view allows us to treat this world as though it were merely a handy backdrop for our moral battles—making our behavior akin to that of a traveler who plans never to pass this way again.[2]

The destructive trends revealed here need to be not just restrained but steadily reversed. The ownership patterns that now accompany the spread of democracy mock democracy, particularly when considered against the historical backdrop of what this nation's founders endured to ensure refuge from the economic royalists of *their* day. Of the fifty-six men who signed the Constitution, five were captured and tortured before they died; another nine perished from wounds or hardships of the Revolutionary War. Many others lost their homes, their fortunes, and their families. All were then British subjects who pledged to fight their own government so that their descendants might be free from forces remarkably similar to those at work today.

One can only wonder where the men and women of honor are today. What happened to the free thinkers and the skeptics? Where are the custodians, the caretakers, and the earth keepers—those concerned for what we leave our descendants? Where are the activists, the agitators, and the courageous troublemakers? Where are the labor leaders willing to insist on a place at the table of global trade rather than settle for a token footstool? Where are the political candidates whose principles rise above the parties that their political candidacy nourishes? The twin parties that constitute today's political duopoly deserve to fail unless they respond to this plea for an equity, a workability, and a sustainability that predates the notion of political parties. To any impartial observer, it looks as if both parties conspire to favor their high-income, campaign-contributing constituents—leading one pundit to urge that they combine their conventions to better accommodate their donors.

Lead by Example

In this post-Cold War era, we need to better articulate those values by which we intend democracy to be defined. And because democracy is a dialogue across the ages we need to demonstrate those values by our own example. John Quincy Adams urged that we lead not by preaching or by precept but by the force of our own example. Today's example is not one for emulation. It's clear that we've allowed ourselves to drift much too far to the political right. Perilously so. Although we need both Adam Smith's carrot and Darwin's stick, we also need a free enterprise that leaves enough of our humanity intact to make it a free enterprise worth having.[3] Governments fail when their results become inhumane and when they lose sight of the moral source of their legitimacy. As a nation, we've lost our bearings. We are all too willing to grant deference to the domain of dollars (the "level playing field") in lieu of principled leadership. In place of an economics that promotes good citizenship, per Jefferson's charge, we now have a citizenry struggling to cope with its economics.

Globalization makes it imperative that the scope of our national concern ("the general welfare") extend well beyond our borders. Precisely because it is *our* model of free enterprise that rules the global roost, it's essential that we take responsibility for conceding its limits, identifying its dangers, and urging corrective action. We must be scrupulously candid about the imperfections of markets. Finance capitalism must be bounded and market forces monitored to ensure that the commons is protected and that appropriate fees are charged for its use.

The state of world health offers a compelling example of a clear market failure. The World Health Organization estimates that more than $56 billion a year is spent on health research. Yet less than 10 percent of that sum is directed toward diseases that afflict 90 percent of the world's population. Monsanto's R&D budget is more than twice the amount available for R&D in the worldwide network of public-sector tropical disease research institutes. Although there's a robust *human* market for a malarial vaccine, there's very little *money-denominated* market because it's a disease suffered largely by the poor. What's required is the push of public-sector support plus the pull of market demand, an element that the Bill and Melinda Gates Foundation is helping address with support for tropical disease research. It is in the resolution of conflicts between altruism and markets, between human rights and property rights, that the future of free enterprise may well be found. If we fail to evoke a free enterprise capable of addressing today's fast-mounting human crises (including crises in education, nutrition, sanitation, the environment, etc.), the niceties of property rights will soon prove less compelling than the social realities.

Plutocratic Generosity

New York Times ethicist Randy Cohen takes issue with the noblesse-oblige spectacle of great personal wealth being funneled back into public works by modern-day monopolists: "When a thief, having stolen your wallet, hands you back carfare, it's tough to mutter much of a thank-you. Similarly, nice as it is that Bill Gates gives money to libraries, a decent country would tax Microsoft at a rate that lets cities buy their own books." [4] My personal peeve is my experience of CNN or, more accurately, my inability *not to* experience CNN when I'm traversing Atlanta's huge Hartsfield International Airport. No matter where you turn, CNN blares its revenue-generating programs at captive passengers at every gate in all six of its immense concourses. I find it obscene that my serenity is sabotaged because of a contract that some local politico inked with CNN, doubtless with campaign contributions easing the way. That agreement stole my quiet by leasing public space to further enrich a local multi-billionaire. It is difficult to applaud when Turner pledges $100 million per year of his Time Warner cable-monopoly profits to the United Nations Foundation. The pledge follows hard on the heels of the predictable market run-up in the value of his stock in the merged companies. *Forbes puts* his 1999 net worth at $6.9 billion, up from $2.5 billion in 1996, and since increased to an estimated $10 billion with the January 2000 announcement of Time Warner's $165 billion merger with America Online. So long as policymakers insist on serving lemons, maybe that's as close to lemonade as we'll get. At least until we revive our democracy and replace today's plutocracy-prone politicos.

Bill Gates and Ted Turner can position themselves to look relatively good only because most others in their position look so incredibly bad. Consider this: If your financial wealth is $225,000 (about twenty times the national median) and you give $1,500 to charity, how large a donation would be required for Bill Gates to experience a similar dent in his net worth? According to *Wired,* you would need to give away $6.7 billion, or almost seven times the amount he pledged in September 1999 to provide 20,000 minority student scholarships over the next twenty years.[5] When Gates made that pledge, the value of his Microsoft shares alone totaled about $100 billion (which jumped to $130 billion after the December 1999 completion of Windows 2000). That's almost twelve times the $11 billion or so in securities owned by all 33 million of our black citizens combined. "This disparity," notes *Washington Post* columnist Courtland Milloy, "suggests something so wrong that it's going to take much more than a billion dollars' worth of schooling opportunities to fix it."

If an entry-level Forbes 400 member gives away a cool $1 million of his or her income, how much would a median-level household need to donate to make a similar sacrifice? Less than $60. So who's being generous here? Can anyone identify a billionaire whose net worth has been significantly diminished by his or her generosity during that individual's lifetime? Warren Buffet (1999 net worth of $31 billion) claims that his talent lies in making money, not in giving it away. So where's his democratic generosity? Deferred. He claims that he'll leave the bulk of his estate to a foundation that may do some good deeds later. Maybe. Though, of course, he could change his mind. And only he knows for sure what the foundation might do, someday. Maybe.

The Hunger for Human Happiness

The rules of the global economy are what determines whether the setting is right for a genuine global democracy to emerge. As presently constructed, those rules are not conducive to a democracy that responds to legitimate human (versus financial) needs. Not only are key market failures routinely ignored, today's financial technologies undermine democracy, as we've seen them foster plutocracies worldwide. Rather than operating in the world as a model democracy, that is, using our experience and insight to save people from grief, our financing methods instead are causing grief. Meanwhile, the costs continue to mount — to the human community, to civil society, to democratic values, and to the environment — as what now passes for leadership — in both politics and business — insists on ignoring these dangerous trends.

The solutions have been hiding in plain sight. Yet for modern-day populism to prevail, the nation needs both a crash course in economic literacy and a program to evoke broad- based, grassroots leadership. People are only generally aware of the source of today's grotesque economic inequities and the many perilous trends threatening the environment. Never before has humanity had the ability to affect all life on the planet. Consequently, the responsibility to become fully human has never been so crucial. To support the reform effort now required, these issues must engage not just our intellect but also our conscience — not just our heads but also our hearts. That's the only way we'll muster the sustained commitment required.

The Hunger for Human Happiness

This nation was born in prophecy — the product of a gnawing hunger of a people in pursuit of goals far more grand than a steadily rising standard of living. That inner impoverishment calls out to us again. Historian Arnold Toynbee had it right, noting that "the ultimate function of civilization [is] to serve the unfolding of ever deeper spiritual understanding." More specifically, he described the essence of a civilization's growth as the "law of progressive simplification" — the ability of a society to transfer its attention and energy from the material to the nonmaterial side of life and thereby advance their culture, their sense of community, and their compassion — and strengthen their democracy. When the setting is right, the work of being fully human emerges spontaneously as humanity harmonizes with itself and its surroundings. That's when we see a Renaissance. Or an Enlightenment. We've the potential to evoke such an era — possibly on a worldwide basis. With a supportive environment, inner exploration emerges, connections are seen, patterns are recognized, unity overcomes separation, and the parts are again recognized as whole. As Paul Ray makes clear, the beauty of an information society is that the means are there to foster a "universal connectivity never seen before." With the proper policy context — support for which is readily available from 50 million Cultural Creatives in the United States alone — people are fully capable of tuning themselves to an inner unfolding wherein their happiness is found.

"As the Integral Culture comes upon the world scene," Ray notes, "it will succeed precisely to the extent that it solves the problems of the whole planet that is starting to be 'one world' for the very first time." Characterizing today as a "tipping point in civilization," he suggests that we take heart because "we're traveling in the midst of an enormous company of allies; a larger population of creative people, who are the carriers of more positive ideas, values, and trends than any previous renaissance period has ever seen. And they can probably be mobilized to act altruistically on behalf of our future." [6]

That's very good news indeed. Rapid passage to this new world requires what anthropologist Anthony Wallace calls cultural revitalization, that is, a willingness to accept that the old ways don't work and that more of the same (today's political prescription) isn't going to work any better. Progress requires that we invent for ourselves a new story about what makes us unique as a people. Cultural revitalization experts have found that we transform ourselves by inventing a new way of seeing ourselves (the sun no longer revolves around us). The creation of new perspective requires new symbols, new imagery, and new pictures in the mind. That's one of the key rationales for Viewpoint 2000, the Prosperity Corps, the Culture Corps, the Sky Trust, international collaboration on the capital commons, and similar undertakings with a global focus. Each of those projects is meant to help us see ourselves as an inescapable whole. The generosity that animates democracy cannot be forced; it moves through us when we feel deeply connected to others and when we allow ourselves to be sufficiently conscious that a sense of shared destiny rises in us as compassion and moves through us as grace.

Interdependent Democracies

If democracy were a symphony, its melody would make us all feel related in some undeniable yet mysterious way. Isaac Stern tells a revealing story about a question he was asked in a public forum concerning why so many violinists play the same notes in the same order as Stern, yet most don't sound nearly so good. After hesitating a moment, Stern objected, "But it isn't the notes that are important. It's the intervals between the notes." [7]

The revitalization of democracy must focus on fostering the connections, the spaces between the notes. That's where democracy lives; that's where you discover the dignity of being able to look anyone in the eye. That's the space from which emerges the confidence that you feel just before drifting off to sleep. A living democracy gives you comfort knowing that you belong and that your heartfelt concerns have a forum where they will be heard. It's not just about what you can do; it's about who you're encouraged to *be.* The dignity of citizenship in a democracy is found not in things but in relationships. It resides less in our doing than in our "inter-being," as Vietnamese monk Thich Nhat Hanh puts it. "Everything you do, you do not for yourself alone," he notes, "you do it for all of us. ... There is no ‘I,' there is no 'you,' because I am in you, and you are in me. We inter-are." [8]

This popular Buddhist teacher, nominated for the Nobel Peace Prize by Martin Luther King, Jr., gives voice to a point since proven by quantum physics that no one—no person, no community, no nation, no component of nature—is a separate entity. We "inter-be." We live in relationships. In Buddhism, that's called "dependent origination" or "dependent co-arising." That ancient wisdom from the East is consistent with modern insights from systems science in the West. And also with the life sciences, where it's called *epigenesis,* or interaction-dependent causation. Indigenous peoples resonate with that notion as well. In languages spoken by Native American tribes, such as the Hopi and the Algonquin, a person can speak for days and never utter a single noun. Their language emerges from a people attuned not to things but to relationships, particularly their relationship with nature. The sweetness in sugar is found not in the individual molecules but emerges from their interactions; its taste lives in the relationships where change is the only constant.

The dynamic nature of democracy makes it essential that we constantly update our economic rules to reflect the ever-changing world of our day-to-day economic relationships. Democratic leadership for the global age requires that we craft a more mature, relationship-based version of capitalism and combine that with a more humane approach to foreign relations and a more sensible approach to the environment. The community of nations expects no less. Our descendants deserve no less. The United States is the dominant player on the world scene, yet it's playing its role poorly, with neither vision nor heart. Gandhi advised that our labors within the public sphere are not secular but sacred. As a people, we are at our finest when engaged in dialogue about how best we might realize those intangible values to which our founders pledged their lives, their fortunes, and their sacred honor. It is then that we know we are engaged in the genuinely soulful art of democracy. And it is then that we best remember that our obligations extend not only well beyond our borders but also well beyond this generation. It is *only* then that we fulfill our obligations to posterity. Anything less is a distraction, at best a means, not an end. Thich Nhat Hanh puts this intergenerational, community-building challenge in the proper context: "It is possible that the next Buddha will not take the form of an individual. The next Buddha may take the form of a community—a community practicing understanding and loving kindness, a community practicing mindful living. This may be the most important thing we can do for the survival of the earth."

Toward a Civilized Capitalism

Civilization, like democracies and markets, is a verb. It must constantly be recreated and replenished, each day infused and renewed with the values that enable us to extract meaning from the mundane and inspiration from the day-to-day. Toynbee felt that civilization would someday mature sufficiently that humankind could focus on the development of higher, less tangible values. That time, I suggest, is now. It only requires leadership equal to the task. Instead, today's leadership encourages a turning in on ourselves and a narrowing of democracy to mean merely markets. Rather than a future grounded in the reality of our earthly surroundings, we're told that acquiescence to the abstractions of finance is the way forward.

That perceptual prejudice not only fails to acknowledge the mystery of life; it also reflects the naive notion that we need only live in harmony with our own values and our own designs, regardless of our impact on the biological fabric. Yet the means are at hand to shift to a perspective that advances humanity's highest values. The material, financial, institutional, and technological know-how is available to eliminate the scourge of poverty from the anguished face of humankind. The only barrier is today's poverty of political will. Indeed, the means are available *now*—in the United States and at least two dozen other nations—for widespread leisure, even genuine, broadly shared affluence. We don't need a new free enterprise, we need new forms of practice and engagement—*and new leadership*—so that we might formulate new convictions and new commitments and emerge from that reformulation with a new unity for the human species. What's required is new ways to tap democracy's hidden reserves so that we can evoke the can-do energy and the generous spirit that today lies trapped in stale and uninspired relationships.[9]

The business of ending hunger and eliminating poverty is an essential first step if we are to get on with the long-deferred business of civilization and the task of empowering humanity to realize its full potential. Yet somehow our focus has shifted away from the undeniable needs of all humanity and onto our personal desires as one small component of the human family. In addition, we know that the needs of nature transcend all notions of our free will as a people because the condition of the environment goes to the very conditions required for the possibility of life. On these intertwined issues—the condition of humankind and nature—we are thrown into what philosopher William James called "a live, forced, momentous option," where we are no longer at liberty to choose not to choose. In a democracy, we have the privilege of choice, yet we choose unwisely if we continue to ignore those concerns that now force their attentions upon us.

The Work of Being Fully Human

The real issue at stake is whether we mean to be true to our democratic values—and whether we have the integrity as a people to fulfill the intergenerational obligations that underlie those values. It's really as simple as that. This is not some naive notion of going back to a simpler time and place. Rather it's a question of democracy coming full circle to engage again with the local and the particular so that the character of place is reflected in the various faces that free enterprise displays as it assumes its many forms. For free enterprise to be truly democratic, it must be *reinhabited* by those whose values it is meant to reflect. Rather than today's adolescent obsession with such a restricted range of values (largely financial), a mature free-enterprise democracy must constantly attune itself to the ever-shifting needs of place and time, informed always by the distinct contours and rhythms of the lives it touches and the natural environment in which its operations are embedded.

In order for the full breadth of the human community to participate in the uniquely human pursuits—music, the arts, science, politics, sports, spiritual practices, raising a family, and so forth—civilization requires a global community that remains steadfast in its pursuit of that very democratic goal. Here in the United States, we don't need full employment so much as we need post-employment or affordable unemployment. We need a financial architecture that affords widespread leisure, personal development, and opportunities to be of service to each other and to the environment. Yet so long as we condone such staggering economic disparities here at home, that goal is destined to remain elusive, particularly if—as now—other nations follow our lead. The result will be more of what we now see as the bulk of humankind is denied the material means required to realize their full humanity in a meaningful way. Instead their lives will continue to be consumed by the pressing demands of the day-to-day.

In effect, today's rampant prosperity-hoarding denies most people the means to become fully human. That's a cruel twist indeed in a global political environment, ostensibly a *democratic* environment, that holds itself out as responsive to humanity's deepest needs and aspirations. Yet despite the global spread of democracy and its handmaiden, free enterprise, the gap grows ever wider between what is economically achievable and what people experience in their personal lives. Tragedy awaits us if people begin to equate their prolonged misery with the spread of democratic values. Or if needed reforms find a foothold not in the democratic spirit of generosity but instead in bitterness, recrimination, or revenge. People rightly expect more from democracy than the heartless right to choose poverty. Today's poor results are due in substantial part to the complicity of legislators who choose to allow a few to monopolize the means by which prosperity is achieved and leisure attained. When the voting public awakens to this reality, as soon they will, heads will roll in the political arena, as well they should. It's time for us to reclaim our democracy.

Is it so unreasonable to expect that we could have a leadership capable of guiding this nation's economic genius in a way that ensures genuinely broad-based prosperity? Is it really so strange that those in other countries would expect the same? Is it really so preposterous to insist that cyber standards of speed not be applied to the pace at which we live and work? Is it really so outrageous to insist on a policy environment that will lead us toward the only legacy of any consequence that we could leave our descendants: an equitable society and a suitable environment? If these goals are extravagant, then so too is the very premise of democracy, an idea that seemed *profoundly* unreasonable when first proposed during a period when the divine right of kings was considered sensible.

Today's finance-dominant economic paradigm exhibits an undeniable genius. Compared to the alternatives proposed to date, it has been a rip-roaring success, albeit not when compared to what might have been had it operated in accord with democratic principles. The time has come for the spirit of democracy to fuse with the capacities of capitalism to create a genuinely inclusive free enterprise where widespread prosperity provides the economic backdrop for a democracy that is just, robust, humane, and sustainable. Anything less leaves the promise of democracy unfulfilled and our human potential denied. What I've attempted to do here is clarify that we are not so much the source of that work as a community of relationships through which that work emerges.[10] The work of democracy is far from done.

Notes

Introduction

1. Edward N. Wolff, "Recent Trends in Wealth Ownership" (paper presented at conference on Benefits and Mechanisms for Spreading Asset Ownership in the United States, New York University, December 10-12, 1998). In 1992, the financial wealth of the top 1 percent was greater than the combined wealth of the bottom 90 percent. Research is based on the Federal Reserve's triennial Survey of Consumer Finances. For this purpose, wealth (or net worth) is the current value of all marketable assets less current debts. Assets include housing and other real estate, cash and demand deposits, savings, money market accounts, financial securities, life insurance, equity in unincorporated businesses, trust fund equity, and the cash value of individual retirement accounts, including IRAs and Keogh and 401(k) plans. Liabilities are the sum of mortgage debt, consumer debt, and other debts. For this purpose, consumer durables (furniture, appliances, vehicles) are excluded along with the value of social security benefits and retirement benefits from defined benefit pension plans, as these funds are not in the direct control of families and cannot be marketed. Financial wealth (net worth less home equity) is a more liquid concept since one's home is difficult to convert into cash in the short term.

2. Ibid. The period cited by Wolff 1983 to 1995.

3. The Forbes 400 wealth was $624 billion in 1997, $738 billion in 1998, and $1 trillion plus in 1999. From special annual issues *of Forbes* magazine, profiling the richest four hundred people in the United States.

4. Median household financial wealth was less than $10,000 in 1995. The $11,700 figure is based on the 12-percent growth projection in Wolff, "Recent Trends in Wealth Ownership." As of this writing, the latest wealth and income data are found in the Federal Reserve's 1998 triennial Survey of Consumer Finances. The results, based on 4,309 interviews, were released January 2000. The accompanying commentary states that stock-market-fed increases in net worth over the 1995-1998 period were "broadly shared by different demographic groups." However, the distributional analysis had not yet been done. Nevertheless, although the Standard & Poor's index of five hundred stock prices registered a gain of 76 percent over the 1995-1998 period, median net worth rose just 17.6 percent among survey respondents— to $71,600 (i.e., including home equity, vehicles, etc.). The report also acknowledges that for all groups under age fifty-five, "the medians of net worth were still substantially below their 1989 levels." Arthur B. Kennickell, Martha Starr-McClure, and Brian J. Surette, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," *Federal Reserve Bulletin,* January 2000, pp. 1-29.

5. Median earnings based on U.S. Department of Commerce, Bureau of Economic Analysis, *State of Working America* (Washington, D.C.: U.S. Government Printing Office, 1998-1999), tables 3.2, 3.3, 3.6; labor's share of nonfarm business sector income based on U.S. Bureau of Labor Statistics, *Economic Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1999), table B-49 at p. 384.

6. Juliet S. Schor, *The Overworked American* (New York: Basic Books, 1992), indicates that the annual work year increased by 139 hours from 1969 to 1989. The Washington, D.C.-based Economic Policy Institute found that die annual hours worked expanded by 45 hours from 1989 to 1994.

7. The poverty line for 1998 was $16,655 for a four-person household. The national child poverty rate grew 26 percent from 1970 to 1996. Laura Meckler, "Poverty Rising Among U.S. Kids," *Atlanta Journal-Constitution,* July 10, 1998; Tamar Levin, "Study Finds That Youngest U.S. Children Are Poorest," *New York Times,* March 15, 1998. The U.S child poverty rate is the second highest in the developed world (one-third of British children are living in poverty). Decca Aitkenhead, "Small Expectations," *Search* (published by the UK-based Joseph Rowntree Foundation), summer 1999, p. 12. According to U.S. Census Bureau data, poverty rates among all children fell a percentage point in 1998, to 18.9 percent. That level is well above the rate in the 1970s, and higher than in Canada or Western Europe.

8. U.S. Congressional Budget Office, *Estimates of Federal Tax Liabilities for Individuals and Families by Income Category and Family Tyfe for 1995 and 1999* (memorandum,, May 1998). The projected data includes the effects of tax cuts enacted in 1997 that phase in over time.

9. Isaac Shapiro and Robert Greenstein, "The Widening Income Gulf (Washington, D.C., Center on Budget and Policy Priorities, September 4, 1999, typed report), citing Congressional Budget Office (CBO) figures. According to CBO, median before-tax household income for 1998 was $38,885.

10. "Forty-Ninth Annual Executive Pay Survey," *Business Week,* April 19, 1999.

11. United Nations, *United Nations Human Development Report 1999* (New York: Oxford University Press, 1999). See also Kerry A. Dolan, "Two Hundred Global Billionaires," *Forbes,* July 5, 1999, p. 153.

12. United Nations, *United Nations Human Development Report 1998* (New York: Oxford University Press, 1998), p. 30.

13. See "Rich Comparison," *Wall Street Journal,* July 30, 1999. See also *United Nations Human Development Report 1999.*

14. *United Nations Human Development Report 1999,* p. 3.

15. The International Monetary Fund (IMF) estimates that the amount in offshore tax havens grew from $3.5 trillion in 1992 to $4.8 trillion in 1997. But see Douglas Farah, "A New Wave of Island Investing," *Washington Post National Weekly Review,* October 18, 1999, p. 15; Alan Cowell and Edmund L. Andrews, "Undercurrents at a Safe Harbor," *New York Times,* September 24, 1999.

16. Lester Brown et al., *1998 State of the World* (Washington, D.C.: Worldwatch Institute, 1998).

17. See ,www.turnpoint.org..

18. Interview at <www.PaulaGordon.com>.

19. R. Lal, "Global Soil Erosion by Water and Carbon Dynamics," in *Soils and Global Change,* ed. R. Lal et al. (Boca Raton, Fl.: CRC/Lewis Publishers, 1995), pp. 131-142.

20. William McKibben, *The End of Nature* (New York: Doubleday, 1989).

21. Paul Hawken, Amory Lovins, and L. Hunter Lovins, *Natural Capitalism* (New York: Little Brown, 1999), p. 151, offer a definition of natural capital: "Natural capital can be viewed as the sum total of the ecological systems that support life, different from human-made capital in that natural capital cannot be produced by human activity."

22. *United Nations Human Development Report 1999,* p. 2.

23. Ibid., p. v.

24. Paul H. Ray, "The Rise of Integral Culture," *Noetic Science Review* (spring 1996), updated with results from January 1999 survey for the Environmental Protection Agency and the President's Council on Sustainable Development (unpublished). Personal correspondence, September 20, 1999.

25. Riane Eisler, *The Chalice and the Blade* (San Francisco: HarperCollins, 1987).

26. The ownership impact of supply-side economics ("Reaganomics") is analyzed in chapter 3 of Jeff Gates, *The Ownership Solution* Cambridge, Mass.: Perseus Publishing, 1998).

27. U.S. Geological Survey, *Status and Trends of the Nation's Biological Resources* (Washington, D.C.: U.S. Geological Survey, 1999).

28. Fritjof Capra, *The Tao of Physics* (Boston: Shambhala, 1975); Fritjof Capra, *The Turning Point* (New York: Simon & Schuster, 1992); Fritjof Capra, *The Web of Life* (New York: Doubleday, 1996).

29. Stafford Beer, "On the Nature of Models: Let Us Now Praise Famous Men and Women, Too," *Informing Science* 2, no. 3 (1999): 69. See also Warren McCulloch, *Embodiments of Mind* (Cambridge: M.I.T. Press, 1965); Francisco J. Varela, *Embodied Mind* (Cambridge: M.I.T. Press, 1993).

30. Candace Pert, *Molecules of Emotion* (New York: Touchstone, 1997).

31. Myron Kellner-Rogers, "Changing the Way We Change: Lessons from Complexity," *Inner Edge,* October/November 1998, p. 18.

32. Thomas Sowell, *The Quest for Cosmic Justice* (New York: Free Press, 1999).

Chapter 1

1. See Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York: Norton, 1995). See also Mickey Kaus, "Compassion, the Political Liability," *New York Times,* June 25, 1999.

2. "Flat Tax Goes from 'Snake Oil' to Tonic for G.O.P. Presidential Contenders," *New York Times,* November 14, 1999.

3. See Frances Moore Lappe, *Rediscovering American Values* (New York: Ballantine, 1989).

4. Jeff Gates, *The Ownership Solution* (Reading, Mass.: Addison-Wesley, 1998).

5. See <www.skytrust.cfed.org>.

6. See <www.dfdpo.com>.

7. Joey Reiman, *Thinking for a Living* (Atlanta: Longstreet, 1998).

Chapter 2

1. *Forbes 400* (special issue of *Forbes* magazine devoted to the richest four hundred Americans), September 13, 1982; *Forbes 400,* October 12, 1998; *Forbes 400,* October 4,1999. Note that the 1998 figures are based on a Dow Jones Industrial Average of 7827 (the Dow topped 11,000 in early May 1999).

2. Reported in Louis Uchitelle, "More Wealth, More Stately Mansions," *New York Times,* June 6, 1999, summarizing research by Edward N. Wolff.

3. Reported in David Wessel, "U.S. Stock Holdings Rose 20% in 1998," *Wall Street Journal,* March 15, 1999.

4. Edward N. Wolff, "Recent Trends in Wealth Ownership" (paper presented at conference on Benefits and Mechanisms for Spreading Asset Ownership in the United States, New York University, December 10-12, 1998), p. 10. "Indeed, median income between 1989 and 1998 rose appreciably only for families headed by college graduates." Arthur B. Kennickell, Martha Starr-McClure, and Brian J. Surette, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," *Federal Reserve Bulletin,* January 2000, p. 3.

5. Robert Frank, *Luxury Fever* (New York: Simon & Schuster, 1999). See also Tom Vanderbilt, "Prophets of Boom," *Wired,* September 1999, p. 164.

6. *Forbes 400,* October 11, 1999. See also <www.forbes.com>.

7. "Forty-Ninth Annual Executive Pay Survey," *Business Week,* April 19, 1999.

8. "State Income Inequality Continues to Grow in Most States in the 1990s, Despite Economic Growth and Tight Labor Markets" (Economic Policy Institute and the Center on Budget and Policy Priorities, Washington, D.C., January 18, 2000, report).

9. Sarah Anderson et al., *A Decade of Executive Excess: The 1990s* (Boston: United for a Fair Economy, 1999). CEO annual pay increases calculated by *Business Week* for annual executive pay survey, average of top two executives at the largest 365 U.S. corporations (by sales).

10. It was only after strenuous objection from institutional investors that Eisner agreed to remove his personal attorney from the compensation committee of Disney's board of directors (personal conversation with TIAA-CREF trustee and Georgia State University law professor Marjorie Fine Knowles, May 1999).

11. *New York Times,* July 4, 1999.

12. Evan L. Marcus, "The World's First Trillionaire," *Wired,* September 1999, p. 163. If Microsoft's stock value grows at the same rate that the Standard & Poor's 500 has averaged over die past twenty years (17.6 percent), then Gates would become a trillionaire in August 2015, at age 59, and his holdings would be worth $1 quadrillion in March 2058, at age 102. See <www.webho.com/WealthClock> for one of several examples of a wealth clock, which tracks the current value of his Microsoft shares.

13. Richard N. Goodwin, "Lost Opportunities Are at the Heart of the Clinton Legacy," *Boston Sunday Globe,* July 4, 1999.

14. *Nature,* May 15, 1997. The high estimate was $54 trillion. The highest annual value per acre was for estuaries, because of their nutrient-recycling services. The highest valued environments were wetlands and floodplains because of their importance in flood control, waste treatment, and water storage.

15. Wolff, "Recent Trends in Wealth Ownership," p. 10.

16. See <www.census.gov> ("income" at table H-2).

17. Data on Gates from Edward N. Wolff, cited in "A Scholar Who Concentrates ... on Concentrations of Wealth," *Too Much,* winter 1999, p. 8.

18. Doug Henwood, "Debts Everywhere," *The Nation,* July 19, 1999, p. 12. Since 1992, mortgage debt has grown 60 percent faster than income, whereas consumer debt (mostly auto loans and credit cards) has grown twice as fast. The fastest-growing segment of the credit card market consists of low-income holders, with the average amount they owe growing eighteen times faster than income.

19. The ratio of total family debt payments to total family income is the highest recorded since 1989. "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," *Federal Reserve Bulletin,* January 2000, p. 25.

20. U.S. Geological Survey, *Status and Trends of the Nation's Biological Resources* (Washington, D.C.: U.S. Geological Survey, 1999).

21. United Nations Environmental Program, *GEO (Global Environmental Outlook) 2000* (New York: Earthscan, 1999).

22. See Jeff Gates, *The Ownership Solution* (Reading, Mass.: Addison-Wesley, 1998).

23. Richard Goodwill, "Lost Opportunities Are at the Head of the Clinton Legacy," *Boston Globe,* July 4, 1999

24. "Tax Report," *Wall Street Journal,* July 28, 1999, p. 1.

25. U.S. Congressional Budget Office, *Estimates of Federal Tax Liabilities for Individuals and Families by Income Category and Family Type for 1995 and 1999* (memorandum, May 1998). The 1999 projected data include the effects-of tax cuts enacted in 1997 that phase in over time.

26. Current tax law allows a personal income tax deduction on home mortgage interest up to $1 million. If that limit were reduced to $300,000, the Congressional Budget Office reports that federal tax receipts would increase by $40.8 billion over nine years. In 1998, 4 percent of new mortgages exceeded $300,000.

27. Of the nation's 103 million households in 1999, 66.6 percent occupy homes owned by a member of the household. Yet even among married couples in the under-forty-four age group (the most significant home-buying years), the rate of home ownership has not yet recovered its 1982 level of 82 percent. Home ownership among blacks rose to 45.8 percent in 1999, recovering ground lost since 1983, when the rate was 45.6 percent. Home owners are now much more highly leveraged than fifteen years ago, with down payments at record lows and mortgage amounts far higher. Lou Uchitelle, "In Home Ownership Data, a Hidden Generation Gap," *New York Times,* September 26, 1999.

28. Wolff, "Recent Trends in Wealth Ownership" Ibid.

29. Ibid., p. 41, table 6.

30. See Albert B. Crenshaw, "Taking Reduced Saving into Account,'" *Washington Post National Weekly Edition,* June 28, 1999, p. 21.

31. Shapiro and Greenstein, "The Widening Income Gulf".

32. Ibid.

33. Charles Handy, *The Hungry Spirit* (New York: Broadway, 1998).

34. James K. Glassman and Kevin A. Hassett, *Dow 36,000* (New York: Times Books, 1999); David Elas, *Dow 40,000* (New York: McGraw Hill, 1999); Harry S. Dent, *The Roaring 2000's* (New York: Simon & Schuster, 1998); Charles W. Kadlec, *Dow 100,000: Fact or Fiction* (New York: Prentice Hail, 1999). See also Peter Schwartz, Peter Leyden, and Joel Hyatt, *The Long Boom* (Reading, Mass.: Perseus Books, 1999). At the heart of these projections lies a financial theory concerning the risk premium on stocks versus bonds and the narrowing of the extra return (historically 7 percent or so) that investors demand to compensate for the riskier volatility of equities. As that premium has narrowed, stock prices have soared.

35. Jacob M. Schlesinger, Tristan Mabry, and Sarah Lueck, "Charting die Pain Behind the Gain," *Wall Street Journal,* October 1, 1999.

36. Steven Greenhouse, "So Much Work, So Little Time," *New York Times,* September 5, 1999.

37. Critics of this analysis point out that the after-tax income of the poorest fifth rose nearly 13 percent from 1993 through 1999. Key demographic changes should also be considered, though they are not the main driver of the trend. For instance, the huge baby boomer generation is now in its peak earning years, accelerating income growth at the top of the scale while baby boomers' parents are retiring, pushing them down the income scale. George Hager, "While the Rich Get Richer, ..." *Washington Post National Weekly Edition,* September 13, 1999, p. 12.

38. See Joel Blau, *Illusions of Prosperity: America's Working Families in an Age of Economic Insecurity* (New York: Oxford University Press, 1999).

39. Louis Uchitelle, "Devising New Math to Define Poverty," *New York Times,* October 18, 1999.

40. After predicting a $4.9-trillion surplus in February 1999, the administration picked up another $1 trillion in July by raising projected productivity growth from 1.3 percent to 1.6 percent, which helped raise new estimates of economic growth from 2.2 percent to 2.5 percent. On July 22, 1999, the Republican-controlled House approved $792 billion in tax reductions in which 79.6 percent of the individual tax cuts would flow to the top 20 percent of income earners. See "White House Says No to a $500 Billion Tax-Cut Proposal," *New York Times,* July 26, 1999.

41. "The Surplus Illusion," *Washington Post National Weekly Edition,* July 12, 1999, p. 24.

42. Reported in Near Karlen, "And the Meek Shall Inherit Nothing," *New York Times,* July 29, 1999.

43. Wolff, "Recent Trends in Wealth Ownership," pp. 30-31. Between 1983 and 1995 (the latest Federal Reserve Board figures), the bottom 40 percent of households lost 80 percent of their net worth. By 1995,18.5 percent of households had zero or negative net worth (an average deficit of $5,600, down from a deficit of $3,000 in 1983).

44. Reported in Louis Uchitelle, "As Class Struggle Subsides, Less Pie for the Workers," *New York Times,* December 5, 1999.
45. United Nations, *United Nations Human Development Report 1999* (New York: Oxford University Press, 1999), p. 25.
46. United Nations, *United Nations Human Development Report 1998* (New York: Oxford University Press, 1998).
47. Stijn Claessens, Simeon Djaiikov, and Larry H. P. Lang, "Who Controls East Asian Corporations?" (Washington, D.C.: World Bank, 1999).
48. *United Nations Human Development Report 1999,* p. 28.
49. United Nations, *United Nations Human Development Report 1996* (New York: Oxford University Press, 1996), p. 4 (emphasis added).
50. United Nations, *United- Nations Human Development Report 1996* (New York: Oxford University Press, 1996), p. 4 (emphasis added).
51. Mahbub ill Haq, "Charter of Human Development Initiative" (paper presented at State of the World Forum, San Francisco, October 3, 1996).
52. As of this writing, the Clinton administration is calling for a 50 percent increase in weapons procurement through 2004, whereas Congress is demanding even higher military spending. In the 1997 fiscal year, the last year for which figures are available, the United States shipped a record $8.3 billion of arms exports to nondemocratic countries. See Oscar Arias, "Stopping America's Most Lethal Export," *New York Times,* June 23, 1999.
53. *United Nations Human Development Report 1998,* p. 30.
54. *Times (London},* September 23, 1999.
55. Riane Eisler, *Tomorrow^ Children: A Blueprint for Partnership Education in the Twenty-First Century* (Boulder: Westview, 2000); Riane Eisler, *The Chalice and the Blade* (New York: HarperCollins, 1987); Riane Eisler, David Loye, and Kari Norgaard, *Women, Men and the Global Quality of Life* (Pacific Grove, Calif: Center for Partnership Studies, 1995).

Chapter 3

1. Robert G. Kaiser and Ira Chinoy, "How Scaife's Money Powered a Movement," *Washington Post,* May 2, 1999.
2. The distinction between expenditures and contributions was upheld on appeal to the Supreme Court in a January 2000 decision *(Nixon vs. Shrink Missouri Government PAC)* in which a failed candidate for state auditor complained that he couldn't mount an effective campaign with such low contribution limits (Missouri's limits parallel the federal caps). Some campaign finance reformers suggest that this opinion sends a signal that overall spending limits may be permissible. Some civil libertarians see any limit on contributions as a handicap for potential challengers (Senator Eugene McCarthy's 1968 presidential campaign was financed largely by a small handful of large contributors). One possible component of a remedy: restrict the use of personal funds to a small multiple of the median household's financial wealth. That would keep political candidacy more within the reach of what's economically representative.
3. Don Van Natta, Jr., "Democrats Aim for Record in Unregulated Donations," *New York Times,* July 25, 1999.
4. Don Van Natta, Jr., "Campaign Fund-Raising Is at Record Pace," *New York Times,* October 3, 1999.
5. "Mr. Gates Giveth," *Wall Street Journal,* July 23, 1999.
6. According to the Social Investment Forum, as of December 1997, investment portfolios, including mutual funds, using socially responsible criteria amounted to $1.3 trillion in the United States alone. However, such social screening of funds in tax-favored pension plans is generally permissible only if the fiduciary can demonstrate that "social investments" are able to generate returns comparable to non-screened alternatives. See <www.wetv.com>.
7. Juliet S. Schor, *The Overworked American* (New York: Basic Books, 1992).
8. See discussion of caring labor at United Nations, *United Nations Human Development Report 1999* (New York: Oxford University Press, 1999), p. 7.
9. Cited in Charles Handy, *The Hungry Spirit* (New York: Broadway, 1998), p. 17.

10. Marvin Olasky, "Building Social Capital," *American Outlook* (The Acton Institute), summer 1999, p. 20.

11. See Steven Greenberg, "So Much Work, So Little Time," *New York Times,* September 5, 1999, p. WK1.

12. Ken Magid, *Ht/jh Risk: Children Without a Conscience* (New York: Bantam, 1989).

13. *Economic Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1999), p. 421.

14. Before the Joint Economic Committee, Federal Reserve Chairman Alan Greenspan testified on June 14, 1999, "I'm hard-pressed to see how we can maintain what is increasingly an intellectual-based output system [without a better education system]." Reported in Jacob M. Schlesiner, "Greenspan Warns on Productivity Gains," *Wall Street Journal,* June 15, 1999.

15. Richard G. Wilkinson, *Unhealthy Societies: The Afflictions of Inequality* (London: Routkdge, 1996).

16. Joel Blau, *Illusions of Prosperity: America's Working Families in an Age of Economic Insecurity* (New York: Oxford University Press, 1999).

17. Sheryl Gay Stolberg, "Poor People Are Fighting Baffling Surge in Asthma," *New York Times,* October 18, 1999.

18. Peter T. Kilborn, "Health Gap Grows, with Black Americans Trailing Whites, Studies Say," *New York Times,* January 26, 1998.

19. Ibid.

20. Ibid.

21. Peter Passell, "Benefits Dwindle Along With Wages for the Unskilled," *Wall Street Journal,* June 14, 1998.

22. Various reports issued by the Employee Benefit Research Institute, Washington, D.C.

23. Cited in Deepak Chopra, "Opening the Doors of Perception" (presentation for State of the World Forum, San Francisco, September 28, 1995).

24. "Deaths Rise at Start of Month, Study Shows," *New York Times,* July 8, 1999.

25. James Lardner, "Deadly Disparities," *Washington Post,* August 16, 1998.

26. Dean Ornish, *Love and Survival* (New York: HarperCollins, 1998).

27. Decca Aitkenhead, "Small Expectations," *Search* (published by the UK-based Joseph Rowntree Foundation), summer 1999, p. 12. See also Jules Shropshire and Sue Middleton, *Small Expectations: Learning to Be Poor[1]?* (York: York Publishing Services Ltd., 1999); Paul Gregg, Susan Harkness, and Stephan Machin, *Child Development and Family Income* (York: York Publishing Services Ltd., 1999). The Joseph Rowntree Foundation maintains a Web site with summaries at <www.jrf.org.uk>.

28. "A Sobering Report on CEO Greed . . . and a Plea from a Wealthy Mom," *Too Much,* fall 1999, p. 7.

29. "Deadlines, Dismissals and Health," *New York Times,* April 12, 1998.

30. See James Gleick, *Faster: The Acceleration of Just About Everything* (New York: Pantheon, 1999).

31. Lawrence Goodwyn, *Democratic Promise: The Populist Moment in • America* (Oxford: Oxford University Press, 1976).

32. Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, N.J.: Princeton University Press, 1993).

33. Quoted in *Rachael's Environment and Health Weekly,* June 10, 1999.

34. Francis Fukuyama, "The Great Disruption," *Atlantic Monthly,* May 1999. p. 55.

35. Cited in M. Mitchell Waldrop, *Complexity* (New York: Touchstone, 1992), p. 265.

36. Louis Uchitelle, "Survey Finds Layoffs Slowed in Last Three Years," *New York Times,* August 20, 1998.

37. Michael Hammer and James Champy, *Reengineering the Corporation* (New York: HarperCollins, 1993).

38. Many of reengineering's most vocal proponents are having second thoughts, including Stephen Roach, Morgan Stanley's chief economist, once an outspoken advocate for the "rightsizing" of workforces as a means to revive American productivity. One of the key downsizing challenges, he now concedes, is to find a way to restrain costs without tearing out the innovative heart of a company, as much

reengineering has risked doing. See "Jobs and Wages Revisited," *The Economist,* August 17, 1996, p. 62.

39. Erica Goode, "Sharpe Rise Found in Psychiatric Drugs for the Very Young," *New Tork Times,* February 23, 2000, p. 1.

40. Numerous organizations are at work attempting to shift consumption patterns in order to protect the environment and enhance the quality of life, including the Center for the American Dream <www.newdream.org>. There's a concern emerging that we may be creating yet another generation of hyperconsumers that threaten our environmental future. See the center's "Tips for Parenting in a Commercial Culture" on its Web site, with facts on advertising, consumption, and children.

41. Richard Morin, "We Gamble for Fun? Don't Bet on It," *Washington Post National Weekly Edition,* August 16, 1999, p. 34.

42. Brett Pulley, "Living Off the Daily Dream of Winning a Lottery Prize," *New York Times,* May 22, 1999. The National Gambling Impact Study Commission report in June 1999 concludes that lotteries are an "astonishingly regressive" tax, indicating that players with incomes below $10,000 spend more on lottery tickets (an estimated $597 each year) than any other income group. Reported in Anny Fawcett, "Alabama Gears Up for Showdown over Lottery Vote," *Wall Street Journal, August* 10, 1999.

43. Lawrence Goodwyn, *Democratic Promise: The Populist Moment in America* (Oxford: Oxford University Press, 1976).

Chapter 5

1. As of the fourth quarter 1998, institutional assets totaled $15.4 trillion. Of that amount, $7.4 trillion (48 percent) is held by pension trustees. See The Conference Board, *Institutional Investment Report* 3, no. 1 (September 1999).

2. Assets under management in stock mutual funds soared 44-fold, to $3.2 trillion in the fifteen years ending in May 1999, according to data from the Investment Company Institute, the industry trade group. Index funds accounted for 43 percent of all new cash flows into stock funds during the first six months of 1999, according to AMG Data Services. Reported in Richard A. Oppel, Jr., "Fund Expenses: They're Going Down, Down, Down," *New York Times,* July 4, 1999, p. BU 1.

3. Shann Turnbull, "Employee Governance" (available through [sturn-bull@mbal963.hbs.edu]).

4. Francis Moore Lappe, *Rediscovering America's Values* (New York: Ballantine, 1989).

5. Daniel Goleman, *Emotional Intelligence* (New York: Bantam Books, 1995). Emphasis added.

6. Sam Brittan., *Capitalism with a Human face* (London: Edward Algar, 1995).

7. William Greider, *One World, Ready or Not* (New York: Simon & Schuster, 1997).

8. Louis O. Kelso and Mortimer J. Adler, *The Capitalist Manifesto* (New York: Random House, 1958).

9. Jacob M. Schlesinger and David P. Hamilton, "The More the Japanese Save for a Rainy Day, the Gloomier It Gets," *Wall Street Journal,* July 21, 1998. In November 1999, the Japanese government announced a $171.4 billion economic stimulus package that included not only an expanded loan program for small business but also a large increase in public spending on public works projects, including roads and bridges.

10. Alan S. Blinder, "Eight Steps to a New Financial Order," *Foreign Policy,* September/October 1999, p. 50.

11. Louis Uchitelle, "Global Good Times, Meet the Global Glut," *New York Times,* 16 November 1997, p. WK 3.

12. Jan Hemming, "Colin Powell: His Formula for Success," *Priorities,* September 13, 1999.

13. Voting could be a condition to qualify for participation in certain wealth-sharing arrangements such as allocations under the Sky Trust or in the National Share Our Wealth Corporation, both discussed herein.

14. Even longer voting hours, easier access to absentee ballots, and Election Day registration may do little to increase voter participation, because many nonvoters have simply opted out, whether because of alienation, a lack of information, as a protest, or the assumption that elections won't affect their lives. Jack C. Doppelt and Ellen Shearer, *Nonvoters: America's No Shows* (New York: Sage Publications, 1999).

15. Basil Rauch, ed. *The Roosevelt Reader* (New York: Holt, Rinehart, and Winston, 1957), pp. 148-152

16. This historically loaded phrase came to mind when I saw a newspaper photo of Senate Majority Leader Trent Lott (R., Miss.) speaking at a political fund-raiser hosted by the Conservative Citizens

Council. As a "son of the South," I recall the Council well. It was previously known as the White Citizens Council or, when I was a kid, simply the Ku. Klux Klan.

17. Granting priority to financial signals is clearly a mixed bag. In an interview in conjunction with his resignation as managing director of the IMF, Michel Camdessus conceded, "We created the conditions that obliged President Suharto to leave his job." He then qualified this statement, saying, "That was not our intention," while quickly adding that soon after Suharto's resignation, he traveled to Moscow to warn President Boris Yeltsin that the same financial forces could end his reign in Russia. David E. Sanger, "Longtime I.M.F. Director Resigns in Midterm," *New York Times,* November 10, 1999.

Chapter 10

1. Frank Swoboda, "They'll Buy Their Own Gold Watch," *Washington Post National Weekly Edition,* September 6, 1999, p. 34.

2. Amy Goldstein, "Who Lacks Health Insurance?" *Washington Post National Weekly Edition,* October 11, 1999, p. 18.

3. Jacques Steinberg, "Academic Standards Eased as a Fear of Failure Spreads," *New York Times,* December 3, 1999.

4. Jodi Wilgoren, "Most Pupils Can't Write Well, Report Says," *New York Times,* September 29, 1999.

5. Dirk Johnson, "Schools Are Cracking Down on Misconduct," *New York Times,* December 1, 1999.

6. The current account deficit is the broadest measure of what we pay to foreigners for goods, services, and other things, less what we collect from them. As of fall 1999, the deficit was a record-setting 3.63 percent of GDP and was growing nearly a billion dollars a day ($80.7 billion for second quarter 1999). To date, foreigners have been willing to take our dollars (for oil, cars, software, etc.) and invest much of that in U.S. securities, providing yet more fuel for the stock market boom. As alternatives to investing here look more attractive, downward pressure on the dollar will grow, as will pressure for protectionist measures. Traditional analysis suggests that the Federal Reserve will be feel pressure to raise interest rates to attract investment in our government debt. That will depress stock prices, causing more foreigners to flee U.S. securities. Mexico offers an example of how quickly such events can spiral out of control when in 1994 capital markets ceased providing the funds needed to finance their expanding current account deficit.

7. For information on, fighting global retail chains, see <www.sprawl~ busters.com>.

8. Paul Hawken, Amory Lovins, and L. Hunter Lovins, *Natural Capitalism* (New York: Little Brown, 1999).

9. See <www.adbusters.org>.

10. William A. Galston and Elaine C. Kamarck, "Five Realities That Will Shape Twenty-First-Century Politics," *Blueprint (fall* 1998).

11. Michael M. Weinstein, "Students Seek Some Reality amid the Math of Economics," *New Tork Times,* September 18, 1999.

12. Harlan Cleveland, "The Global Century," *Futures* (November-December 1999).

Chapter 13

1. Huey Pierce Long, *My First Days in the White House* (Harrisburg, Pa.: The Telegraph Press, 1935), p. 3.

2. Thomas Jefferson, *The Papers of Thomas Jefferson, vol. 1, 1760-1776,* ed. Julian P. Body (Princeton: Princeton University Press, 1950).

3. Long, *My First Days,* p. 37.

4. Though Huey spoke frequently about this $5 million limit, which he proposed be gradually reduced to $2 million, the details of his capital levy provided for a graduated tax that accelerated dramatically for wealth holdings over $5 million. For example, he proposed a 16 percent tax on wealth between $5 million and $6 million, 32 percent on the next million, 64 percent on the next million, and 99 percent on all wealth above $8 million ($99.2 million in 1999 dollars). Where large quantities of properties could not be converted to cash to make an immediate payment, he envisioned that the person would be allowed to turn over property instead and pay the levy in installments. He also suggested that government should have the right to issue currency to be retired from the sale or disposition of properties. Ibid., pp.144-146.

5. Edwin Amenta, Kathleen Dunleavy, and Mary Bernstein, "Stolen Thunder? Huey Long's 'Share Our Wealth,' Political Mediation, and the Second New Deal," *American Sociological Review,* October 1994.

6. With the fast-rising popularity of Adolph Hitler in Germany and Benito Mussolini in Italy, Huey's critics attempted to characterize him as an American fascist. Often they supported that charge by pointing to his strong-armed rule of Louisiana that continued after he gave up his position as governor to take his seat in the U.S. Senate. Long contributed to that image by surrounding himself with some of the trappings of fascism, including a phalanx of heavily armed bodyguards. Yet that vilification also shifted public attention to his personality and away from his Share Our Wealth politics.

7. The biography was T. Harry Williams, *Huey Long* (New York: Vintage/Random House, 1969).

8. Robin Toner, "The Retirement Lobby Goes Va-Va Boom!" *New York Times,* August 8, 1999, p. WK1.

Chapter 15

1. While it's tempting to celebrate competing visions of the public good and to embrace the notion of unfiltered pluralism that expresses itself through the tax exemption granted philanthropy, some recent donations test the outer bounds of public tolerance, particularly for activities that operate with the support of public policy. In San Francisco, for instance, PeopleSoft cofounder David Duffield committed his private foundation to the goal of spending $200 million to ensure that a home is provided for every dog and cat in America—because of his love for his miniature schnauzer. In Madison, Wisconsin, toy maker Jerome Frautschi pledged $100 million to realize his vision of a downtown arts center. Equivalent to the annual budget of the National Endowment of the Arts, Frautschi's pledge dwarfs the total arts grants given annually by all U.S. foundations. Although drawing the line between the individual and the idiosyncratic will be neither easy nor/popular, the magnitude of the funds now heading toward foundations mandates that the issue be raised and appropriate boundaries be set for giving that qualifies for public support. Standards are also required to curb charitable giving that supports the giver's commercial interests. The linkage was obvious when Microsoft's Bill Gates donated funds to bring computers to public libraries. Less obvious was the gift for tropical disease research, an area of keen interest to biotechnology firms, where Gates is reportedly one of the world's largest investors.

2. Reported in "Pay and Benefits Are Higher in ESOP Companies," in *Employee Ownership Report* (Oakland, Calif.: National Center for Employee Ownership, July/August 1998) based on 1998 report by Peter Kardas, Jim Keogh, and Adria Scharf for the Washington State Employment Security Department (based on 1995 data).

Epilogue

1. Harvey Cox, "The Market as God," *Atlantic Monthly,* March 1999, p. 18.

2. Joanna Macy, *World as Lover, World as Self* (New York: Parallex Press, 1990); Joanna Macy, *Coming Back to Lift* (New York: New Society, 1998).

3. Charles Handy, *The Hungry Spirit (New York:* Broadway, 1998).

4. Randy Cohen, "The Way We Live Now: 6-20-99: The Ethicist; Uncharitable View," *New York Times Magazine,* June 20, 1999.

5. Evan L. Marcus, "The World's First Trillionaire," *Wired,* September 1999, p. 163. Former Congressman Bill Gray, president of the United Negro College Fund, which will be administering the Bill and Melinda Gates Foundation largess, indicates that this private-sector funding will enable African Americans to increase their proportion of Ph.D.'s in math by 40 percent, that is, from 1.0 percent to 1.4 percent. William Raspberry, "The Gates Family's Billion-Dollar Hurrah," *Washington Post National Weekly Edition,* September 27, 1999, p. 26.

6. Paul H. Ray, "The Rise of Integral Culture," *Noetic Sciences Review,* spring 1996.

7. Recited in Harian Cleveland and March Luyckx, "Governance and Religions," *World Affairs* 3, no. 1 (Jan.-March 1999): 62-74.

8. Thich Nhat Hanh, "The Nature of Self," July 21, 1998, available from <www.plumvillage.org/summerl998/199>.

9. Peter Senge, et al., *The Dance of Change* (New York: Bantam, 1999).

10. Robert F. Lehman, "Our Common Work" (talk given at Spirituality and Philanthropy Meeting, Santa Fe, New Mexico, March 1, 1997).