

“Changing How We Approach Economic Change”

Bangkok, Thailand

December, 2018

Pathological System Conditions

Four Noble Truths

- **First: To know that suffering (pathos) exists.**
- **Second: To know the origins or root causes of suffering.**
- **Third: To know that changes need to be made to free ourselves from this suffering.**
- **Fourth: To know a pathway that charts a course for this change toward healthy ways of living.**

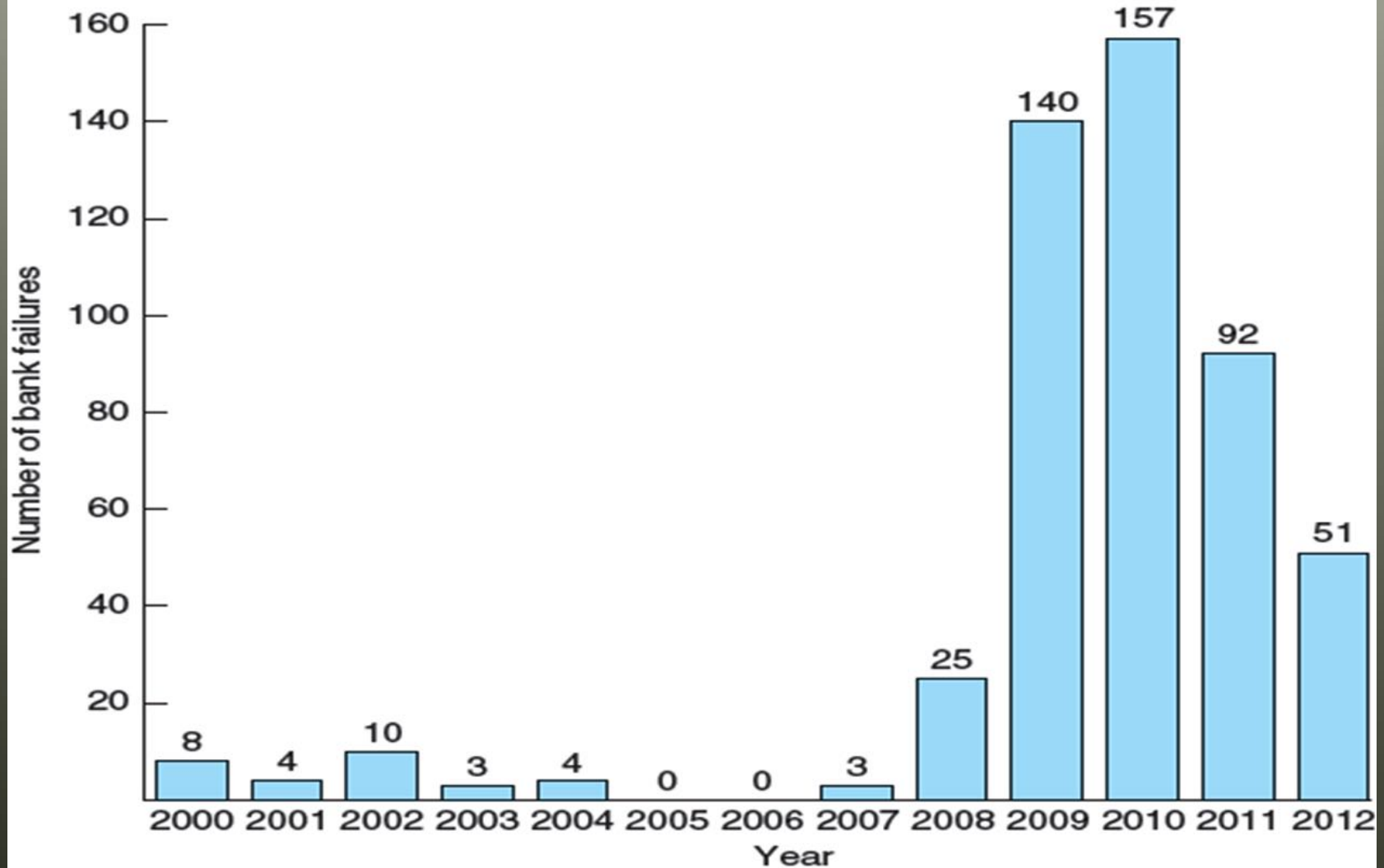
The Three Es—Triple Bottom Line Assessment of System Conditions

- Economy
- Equity
- Ecology

Brundtland Commission's Report to the UN, *Our Common Future* (30 years ago)

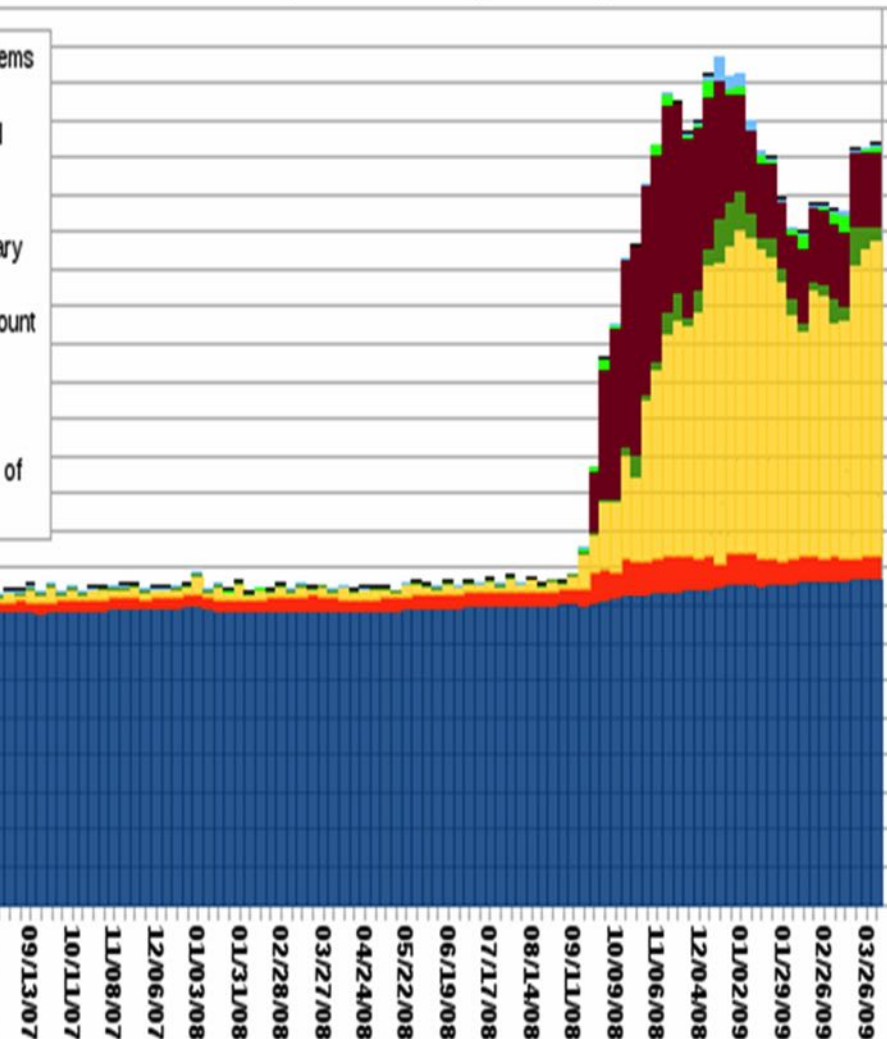
- Sustainable economic development is that which **“meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

Economy?

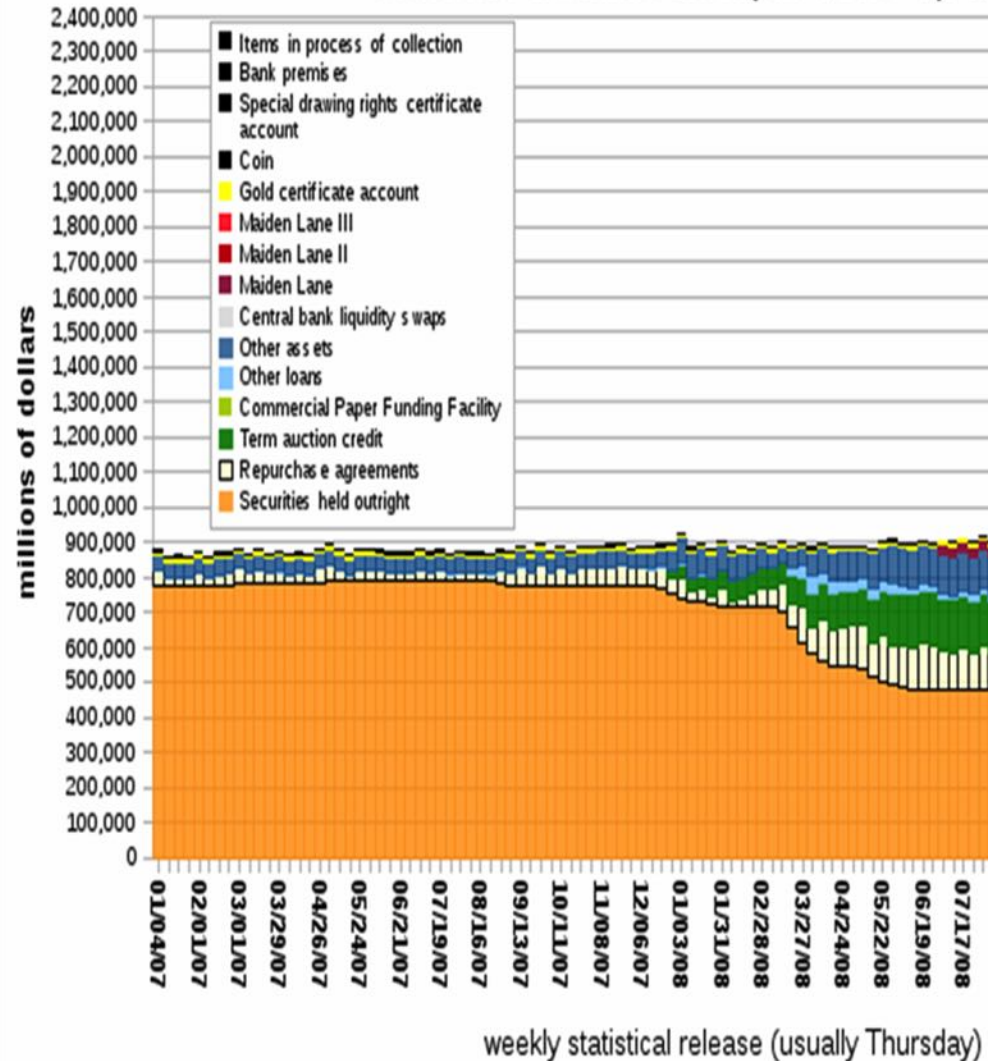


"The Greenspan Put"

Statement of Condition of All Federal Reserve Banks:
Liability Side of Balance Sheet (Jan 4, 2007 - Apr 2, 2009)



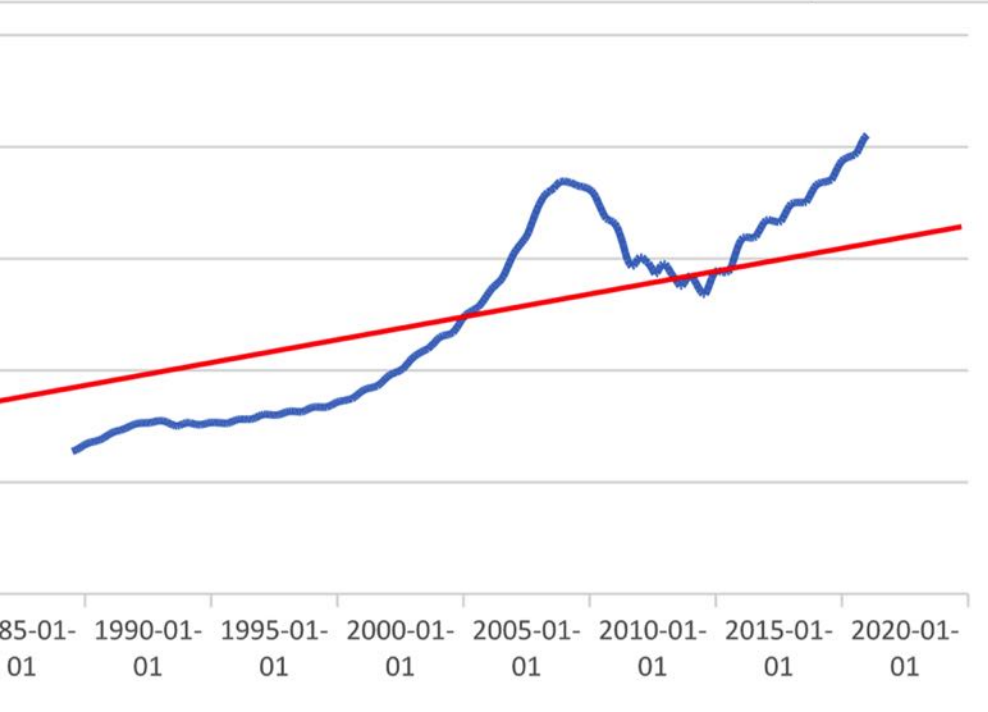
Consolidated Statement of Condition of All Federal Reserve Banks:
Asset Side of Balance Sheet (Jan 4, 2007 - Apr 2, 2009)



weekly statistical release (usually Thursday)

Bubbles Waiting to Burst

S&P Case-Shiller U.S. National Home Price Index, 1987-2018



al Reserve Bank of St. Louis and Standard and Poors, S&P/Case-Shiller U.S. e Price Index, <https://fred.stlouisfed.org/series/CSUSHPINSA>

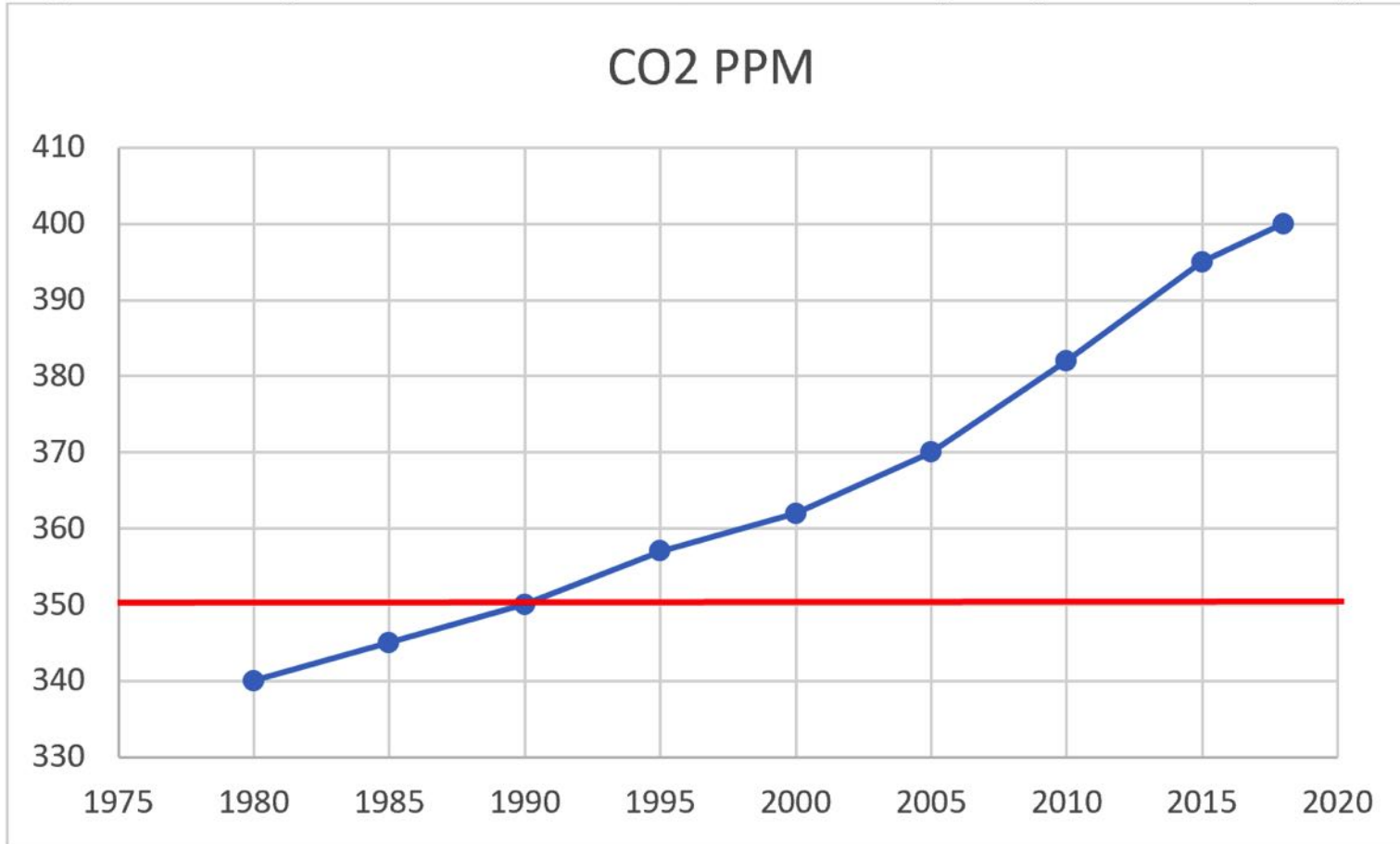
Figure A.1 S&P 500 Index, 1980 – 2018.



Source: S&P 500 Historical Data, <https://www.google.com/search?q=s%26p500+historical+chart&rlz=1C...i&aqs=chrome.3.0j69i57j0l4.10349j0j8&sourceid=chrome&ie=UTF-8> trademarks of Google Inc., used with permission.

Ecology?

Figure 1 Atmospheric Carbon Dioxide, 1975 – 2018 (parts per million (PPM))



Source: National Oceanic and Atmospheric Administration, Climate Change: CO2 Breaks Record in 2017, <https://www.climate.gov/news-features/understanding-climate/climate-change-atmospheric-carbon-dioxide>

Remember 2016? It was hottest year on record

Kale Williams

The Oregonian/OregonLive

You wouldn't know it from the weather in Oregon this winter (the coldest since 1979), but 2016 was the hottest year on record, according to findings by the National Oceanic and Atmospheric Administration and NASA, and it was the third year in a row that

temperatures broke previous records.

In its annual State of the Climate report, NOAA noted that land and sea temperatures, averaged globally, were 1.69 degrees Fahrenheit above the 20th century average, the highest recorded temperatures since the agency began keeping records in 1880.

The globally averaged

land temperature was 2.57 degrees above the average for the 20th century and were felt across wide swaths of the Earth, from eastern Russia to the eastern United States to Central America to southeast Asia.

On the water, the globally averaged sea surface temperature was 1.35 degrees over the 20th century average and the warm up was

seen from the Bering Sea, between Alaska and Russia, to the Gulf of Mexico to the Indian Ocean.

Sea ice continued its retreat as well. In the arctic, "the estimated average annual sea ice extent in the Arctic was approximately 3.92 million square miles, the smallest annual average in the record," which has been kept for 47 years.







Equity?

Oxfam Reports:

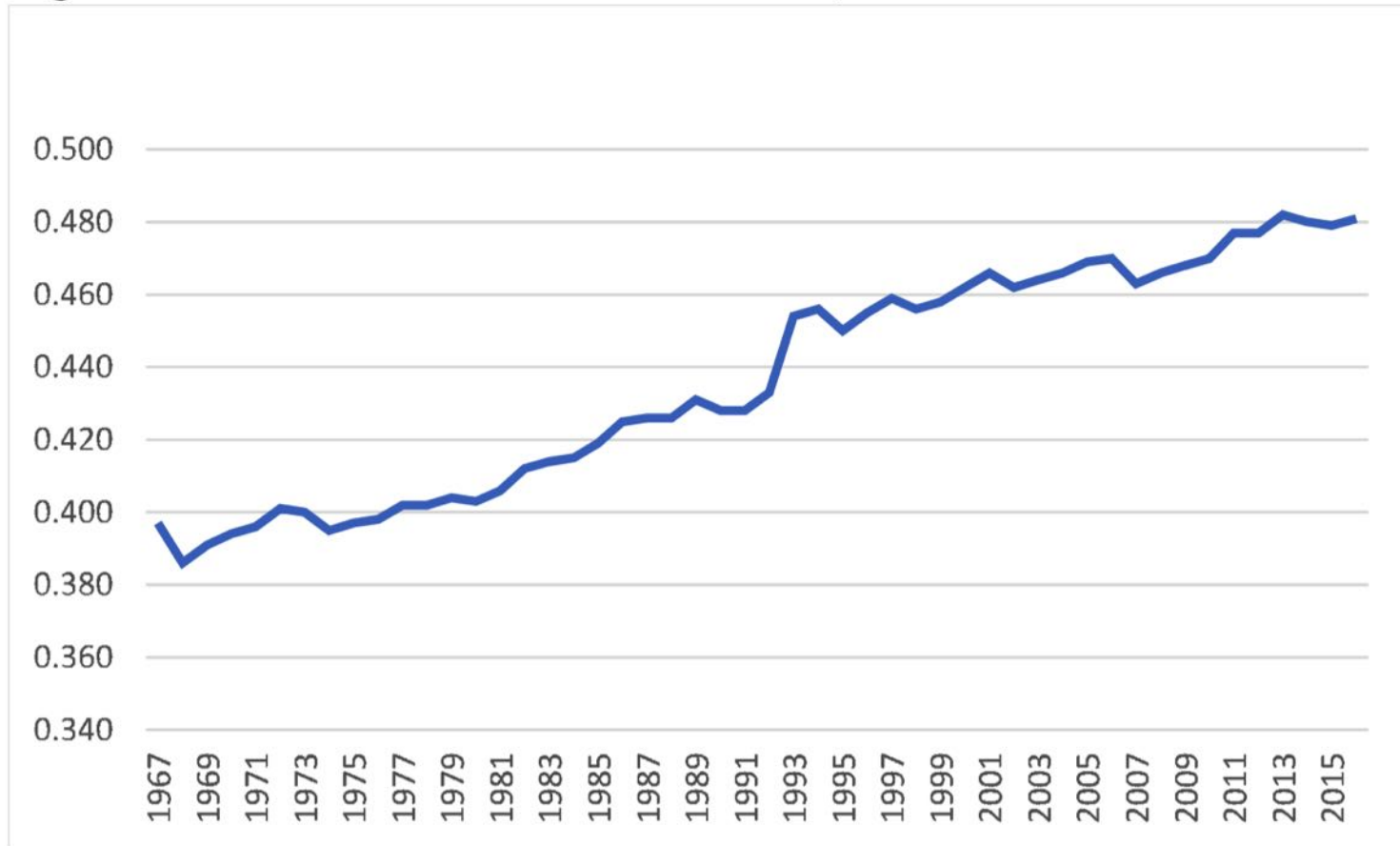
2014: 85 people control the same amount of wealth as half the world's population.

2015: 62 people control the same amount of wealth as half the world's population.

2016: 8 people control the same amount of wealth as half the world's population.

Rising Gini

Figure A.5 Gini Index for the United States, 1967-2015

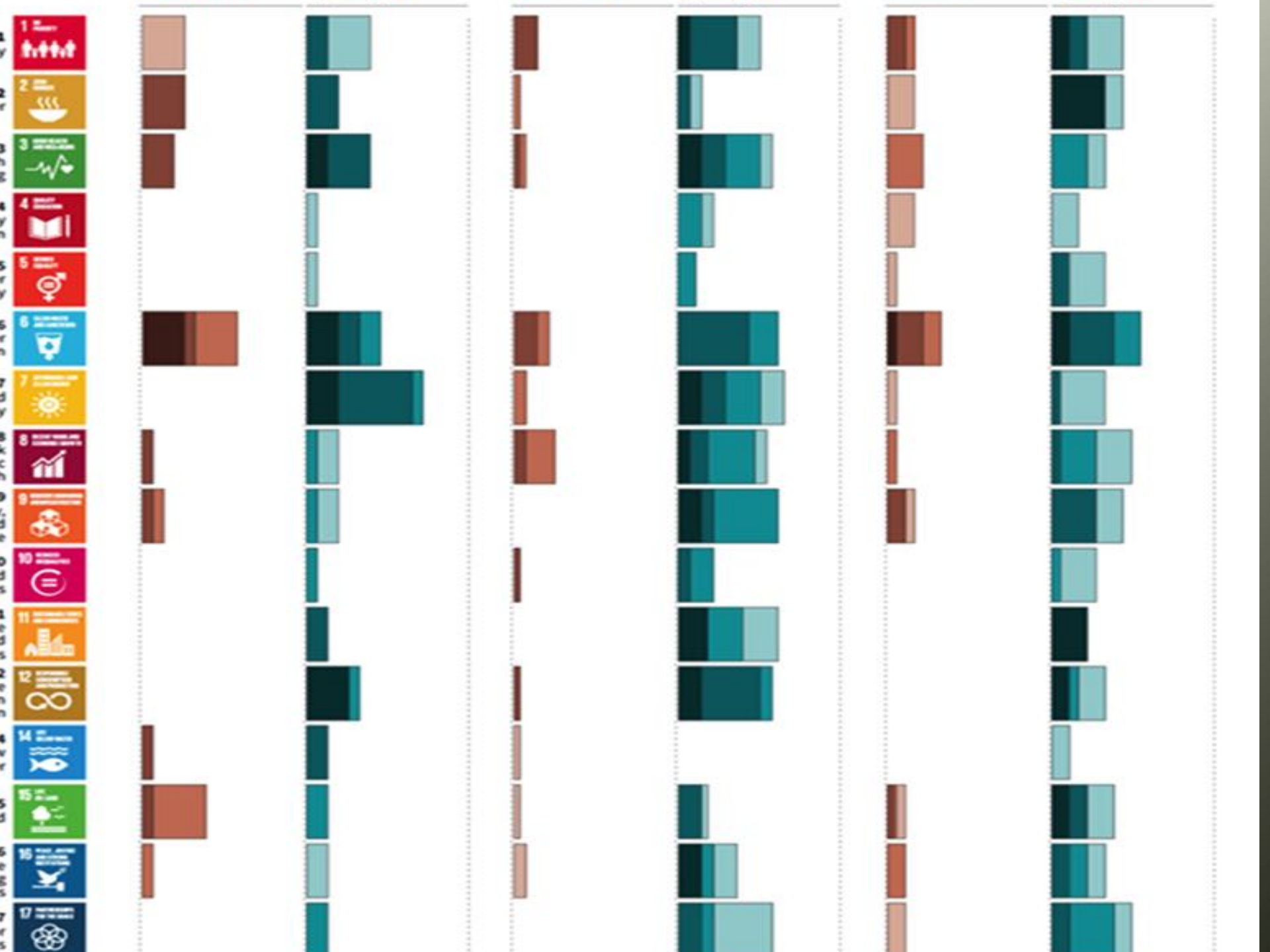


Source: Federal Reserve District Bank of St. Louis, https://fred.stlouisfed.org/graph/?graph_id=212325&updated=2000 and Luxembourg income study, <https://www.lisdatacenter.org/our-data/lis-database/>



Second noble truth

- To know the origins or root causes of suffering.
- What are the root causes of these pathological system conditions?
- IPCC reports confirm that global warming is anthropogenic—habituated human activity
- Specifically, this means economic activity: producing and consuming.
- Pathological system conditions originate in economic activity that is habitualized... institutionalized.



Habits of thought and habits of action become the rules we live by.

- Thorstein Veblen, one of the founders of **institutional economics**, defined “habits of thought and action,” as the very substance of economic institutions—the ruled-based social structures that govern our economy are reified habits.

At a deeper level...

- Greed, Hatred, Delusion—The Three Fires.
- If these fires are habitually burning, they can become institutionalized.
- This is what Buddhist and professor of comparative philosophy David Loy calls “Institutionalized greed, hatred, and delusion”.
- Endemic in our modern corporate-dominated economic world?
- Part of the root causes of systemic pathology?

Top 15 Companies corporate product

Table 2 Top 15 companies compared to ten national GDPs by country

Rank	Country	2018 Nominal GDP (x billions)	
1	United States	\$	20,199.96
2	China	\$	12,118.69
3	Japan	\$	5,063.13
4	Germany	\$	3,934.81
5	Top 15 Companies	\$	2,823.90
6	France	\$	2,765.60
7	United Kingdom	\$	2,661.23
8	India	\$	2,654.17
9	Brazil	\$	2,199.72
10	Italy	\$	2,048.99

Source: "World Economic Outlook Database". International Monetary Fund. 17 April 2018 and *Wikipedia* company profiles.

Fortune 500 and the Three Fires

- A key point I want to make is to see these corporations not as business models but rather as powerful social institutions.
- As such case can be made for seeing the three fires embodied in corporate institutions: endless quest for financial gain, aggressive conquests of markets, and the notion that their industries can continually grow—*ad infinitum*—on a finite planet.

Greed, Aggression, Delusion

- **Greed:** Corporations thrive in the realm of Hungry Ghosts—never enough and never satisfied. Their heavy use of media advertising conditions society to mirror this
- **Aggression:** Market conquests, domination, control—engenders ill will (hatred)
- **Delusion:** Centered on the belief that economic growth can continue ad infinitum on a finite planet.

Buddhist and Institutionalism economics--synergies

- Holism
- Change, Impermanence, and Transformation
- Pragmatism
 - Institutionalism—healthy social provisioning
 - Buddhism—right livelihood.

Noble Eightfold Path

- Right View, Right Intention [Thinking], Right Speech, Right **Livelihood**, Right Effort, Right **Mindfulness**, Right Concentration, Right **Action**.
- “Mindful Economics”
- Mindfulness holds the key to unlock the door that keeps us trapped in the flames of greed, hatred, delusion.

Right Action

- David Ehrenfield reflects on such systemic change, "...our first task is to create a shadow, economic, social and even technological structure that will be ready to take over as the existing system fails."
- Joseph Schumpeter: "Creative Destruction"
- Rooted in Right Livelihood, healthy social provisioning.
- SDGs as the incentives; social returns.

Future Research Program

- Right livelihood institutions: New charters, new bylaws, new articles of incorporation.
- Find best practices and document and replicate.
- A growing population of consumers and investors are looking for alternatives.

Avoiding Pitfalls

- Heather Rogers, “Green Gone Wrong”
- The Three Legged Stool (3 Es)

Business Ethics Center
CORVINUS UNIVERSITY OF BUDAPEST

BND
Bank of North Dakota

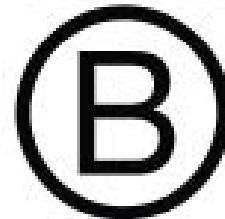
SLOWMONEY



**Permaculture
Credit Union**
INVESTING IN SUSTAINABILITY

Brought to you by
the community of

Certified



Corporations



MIND & LIFE
EUROPE

Public Banking



Alliance for Democracy members and activists are working on local public banking projects in **Boston**, **Portland OR**, and **Washington DC**. We also published an edition of Justice Rising on "Banking for Maine Street, Not Wall Street," with articles by Gwendolyn Hallsmith, Ellen Brown, Ira B. Dember, Steve Seuser, Jeremy Mohler and Tom Sgouros, as well as Alliance writers and activists Ruth Caplan and Jim Tarbell. **Our Public Banking page** links you to that issue of Justice Rising, to the latest news, and to allies' websites.

Triodos
Bank

Commercial banking company

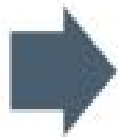


**Portland
Public
Banking
Alliance**

...banking in the people's interest



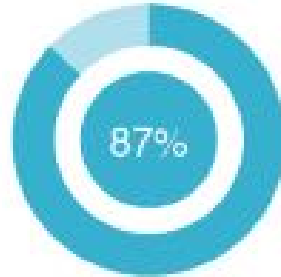
Millennials: Businesses take the lead.



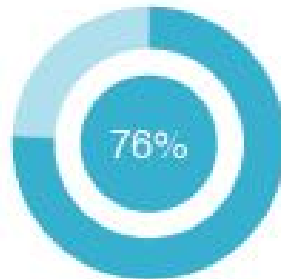
MILLENNIALS ARE PUTTING THEIR FAITH IN COMPANIES TO IGNITE CHANGE. 71% ARE HOPEFUL BUSINESS WILL TAKE THE LEAD.



Values-based consumer activism



will buy based
on values



will boycott based
on values

Values-based consumer loyalty



WHEN A COMPANY SUPPORTS A SOCIAL OR ENVIRONMENTAL ISSUE, CONSUMERS SAY THEY:

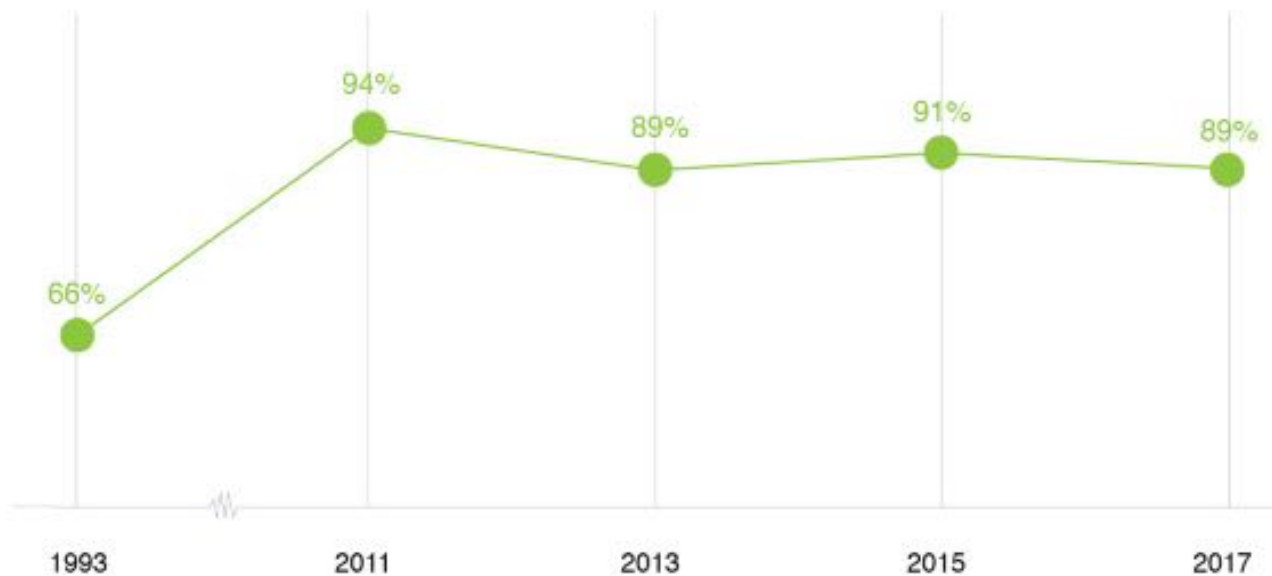


Values-based consumer brand-switching



CONSUMERS ARE LIKELY TO SWITCH BRANDS TO ONE THAT IS ASSOCIATED WITH A GOOD CAUSE, GIVEN SIMILAR PRICE AND QUALITY:

Very/somewhat likely (not)



Consumer expectations of business practices



CONSUMERS CONSIDER THE IMPORTANCE OF A COMPANY'S RESPONSIBLE BUSINESS PRACTICES:

Very/somewhat likely (net)

Being a good employer



Operating in a way that protects and benefits society and the environment



Creating products, services or programs to ensure the well-being of me and my family



Investing in causes in my community and around the globe



Standing up for important social justice issues



Consumer activism and corporate responsibility efforts

CONSUMERS WANT TO GET ENGAGED IN CORPORATE RESPONSIBILITY EFFORTS:

Strongly/somewhat agree (net)

If I learned of a company's irresponsible or deceptive business practices, I would stop buying its products



88%

If given the opportunity, I would buy a product with a social and/or environmental benefit



87%

I would purchase a product because that company stood up for or advocated for an issue that I care about



87%

If given the opportunity, I would donate to a charity supported by a company I trust



82%

I would tell my friends and family about a company's CSR efforts



81%

I would refuse to purchase a company's products or services upon learning that it supported an issue contrary to my beliefs



76%

If given the opportunity, I would volunteer for a cause supported by a company I trust



74%

If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g. provide comments on the company's website or blog, review products)



69%

Our Tasks:

- Identify the environmental goal: big or small.
- Pick your project that will lead toward achieving that goal: new source of energy, a new way of brewing beer, a new banking model, a new way to finance brownfield cleanup... anything.
- Make your project into an institution for change that leads toward your goal, including institutional governance statements, and how to make them binding.
- Start forming coalitions.

- “Why Alternative Economics and **Why Now**”
- Climate change, resource depletion, inequality, and instability remain as crisis-level **system conditions**.

Environmental Pollution Panel Report on climate change (over 50 years ago)



*Report of The
Environmental Pollution Panel
President's Science Advisory Committee*

THE WHITE HOUSE

NOVEMBER 1965

Institute of Physical Resource Theory (Sweden), *Socio-Ecological Principles for a Sustainable Society*

- **Substances extracted from the lithosphere must not systematically accumulate in the ecosphere.**
- **Society-produced substances...**
- **The physical conditions for production and diversity within the ecosphere must not be systematically deteriorated.**
- **The use of resources must be effective and just with respect to meeting human needs.**

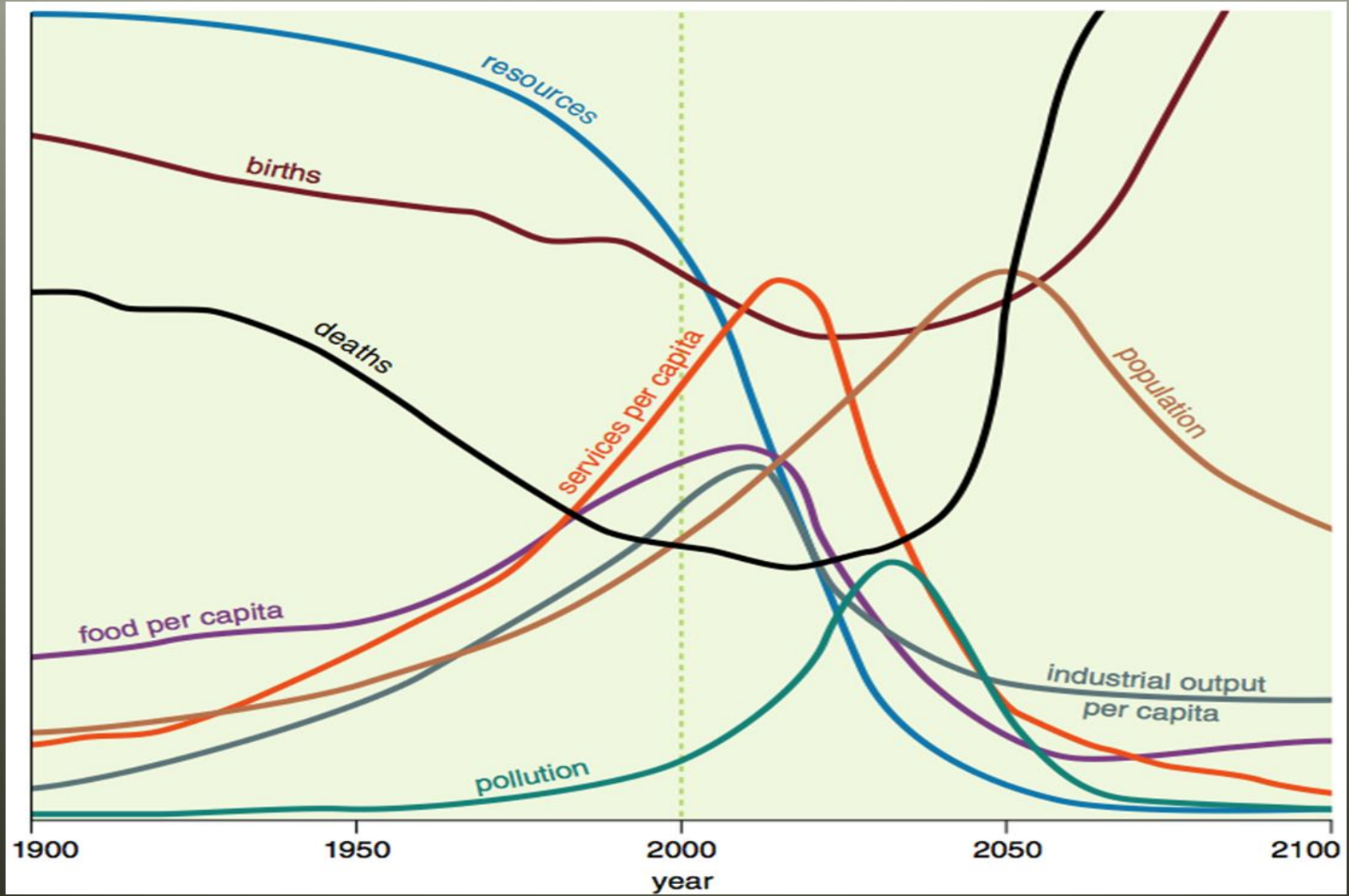
Rio Earth Summit (25 years ago)

- **“That nothing less than a transformation of our attitudes and behaviour would bring about the necessary changes.”**

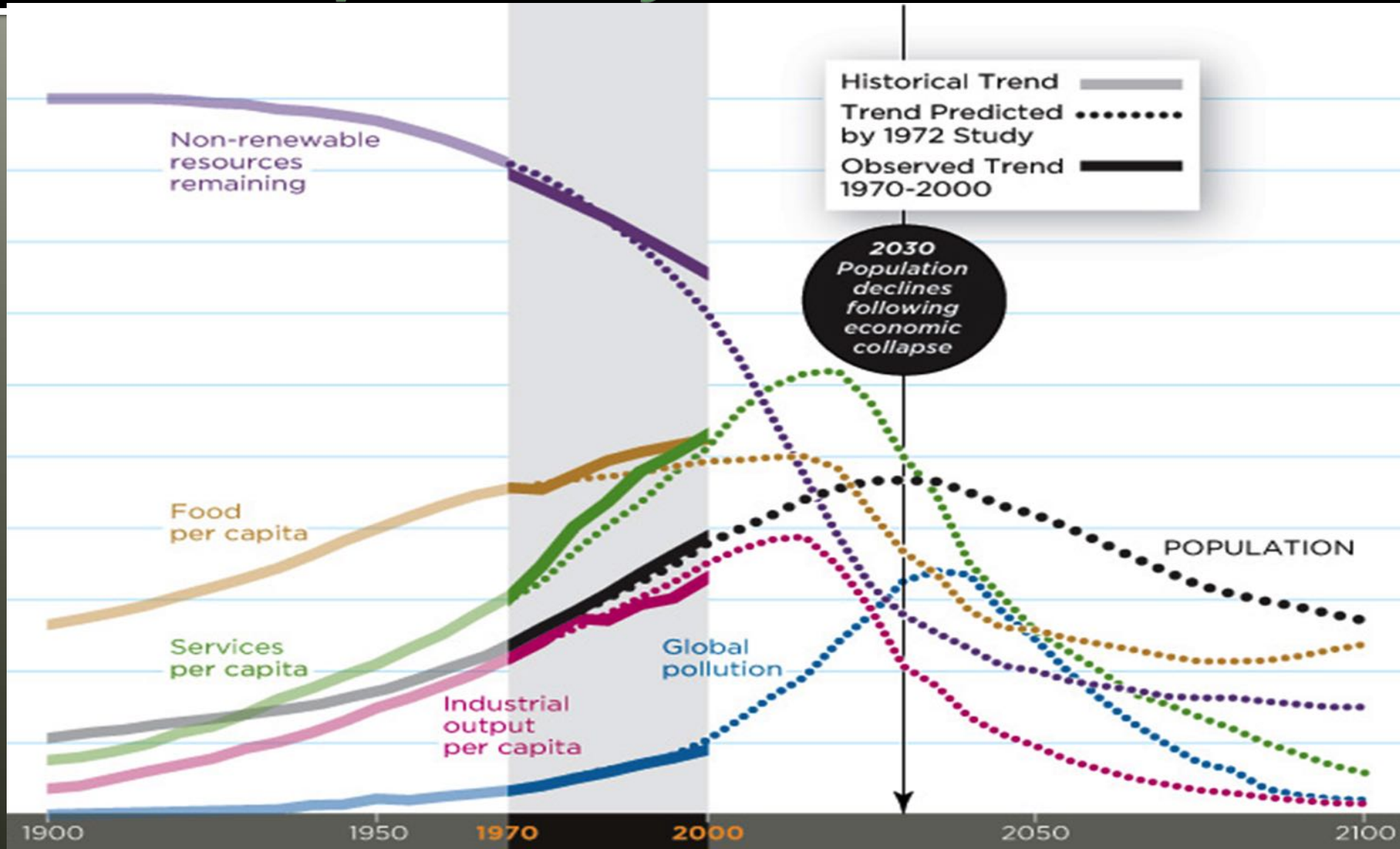
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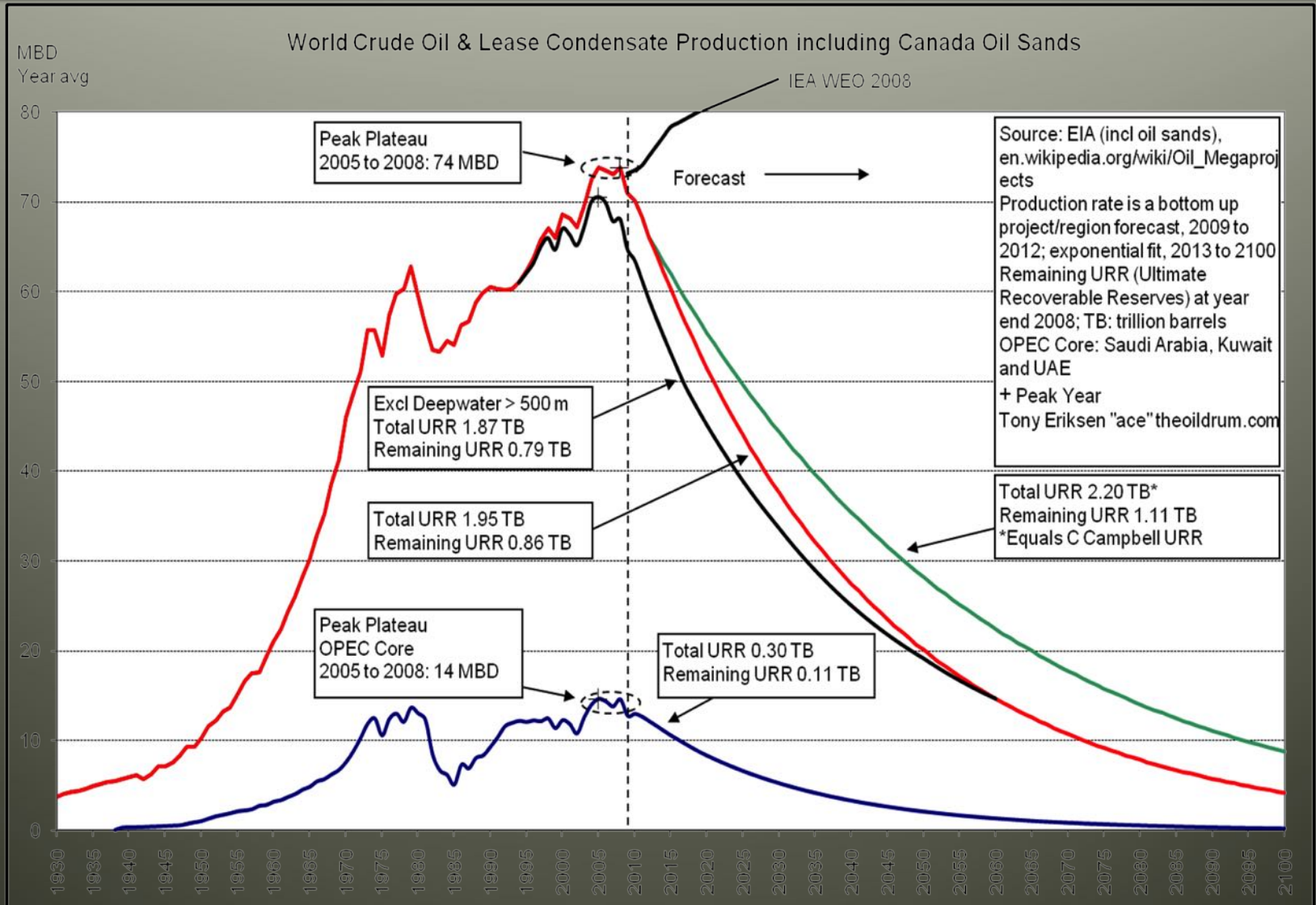
The Club of Rome, *Limits to Growth* report on resource depletion (45 years ago)

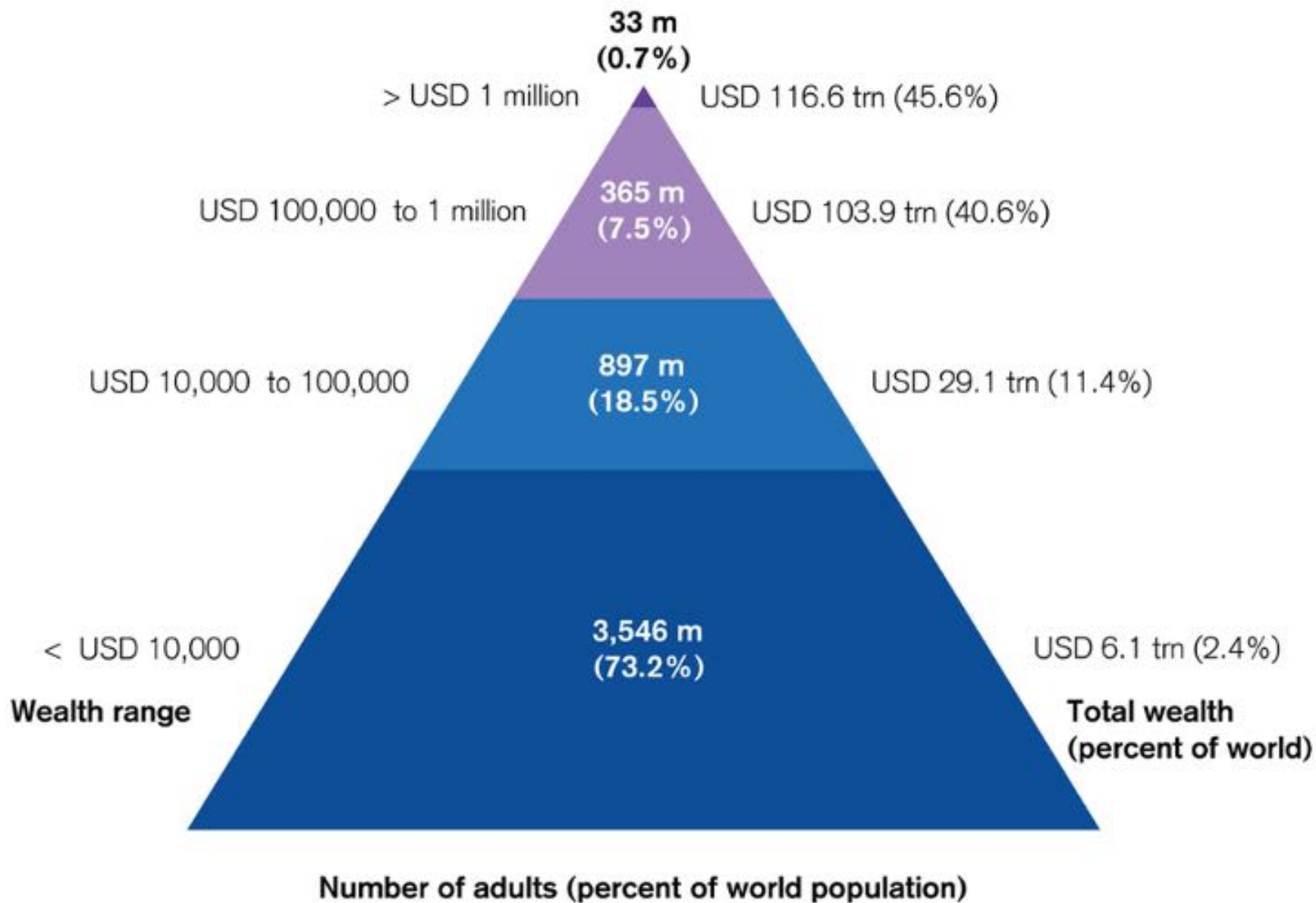


The Club of Rome, *Limits to Growth* (2002, update 30 years later)



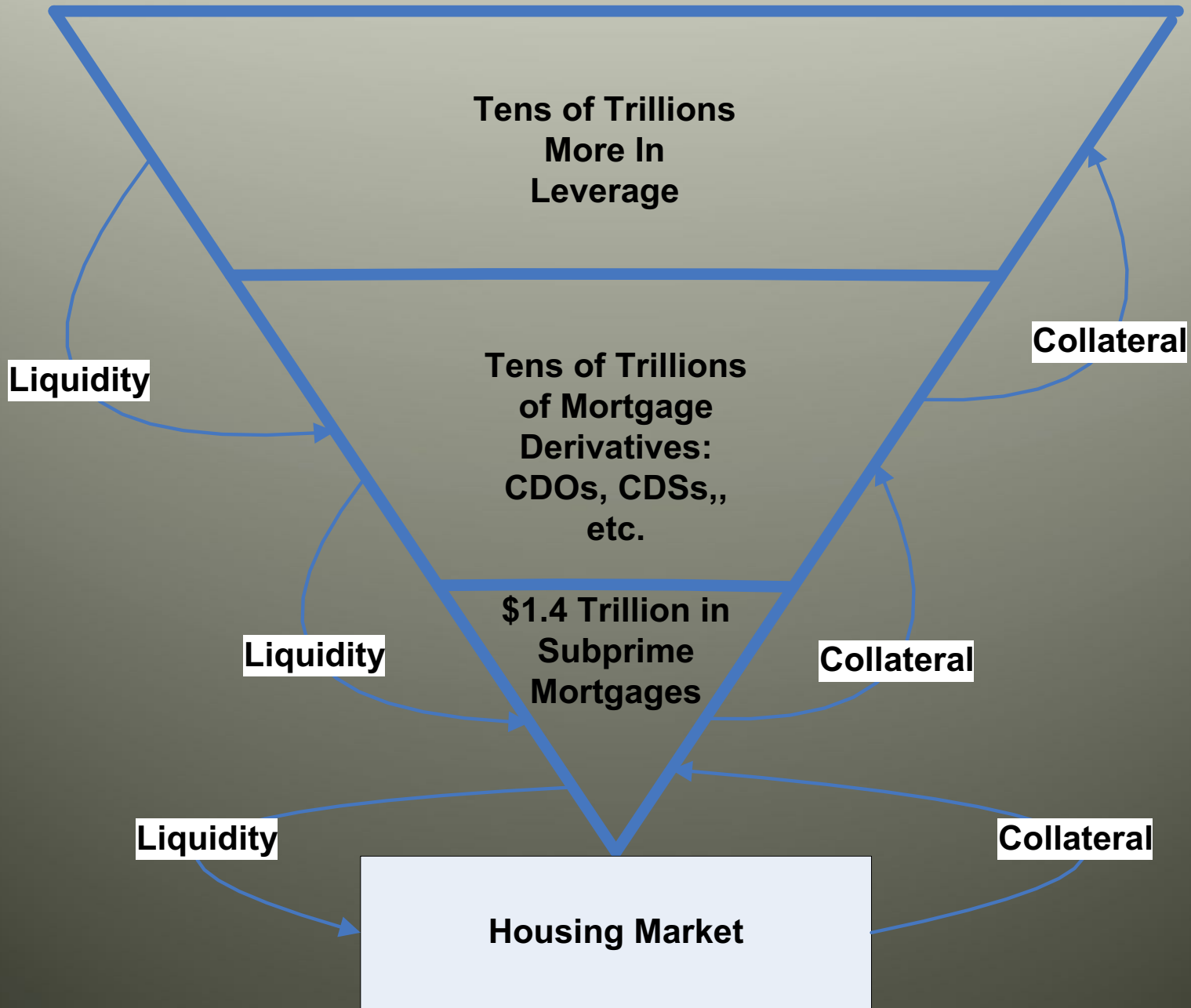
Not just the peak oil, we're in "Peak Everything"





The Global Wealth Pyramid

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016



The original purpose of all financial systems is to aggregate finance capital.

**Source
Funds**

```
graph LR; A[Source Funds] --> B[Financial Aggregation]; B --> C[Economic Development];
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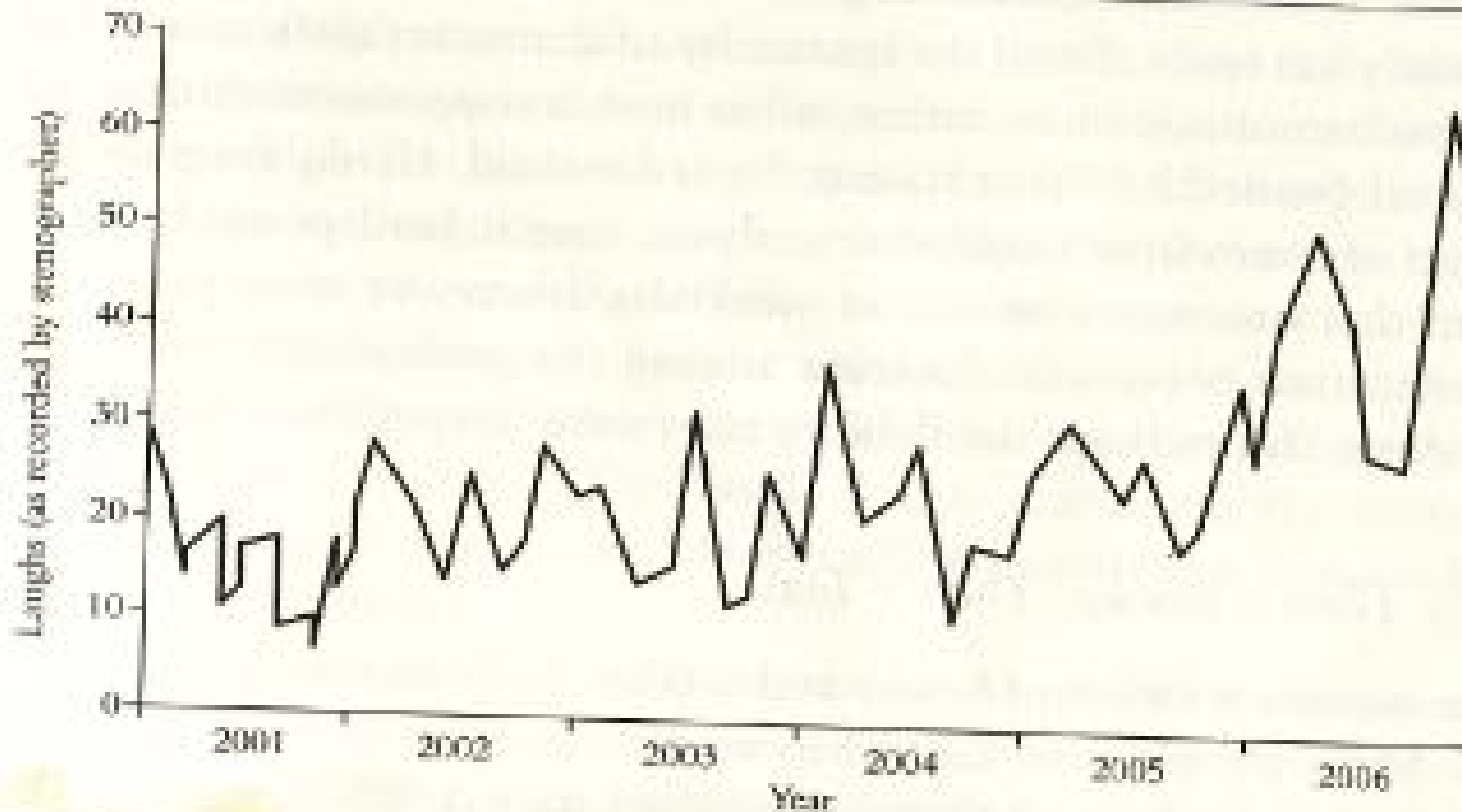
The diagram consists of three green rounded rectangular boxes with white borders, arranged horizontally from left to right. Each box contains text. The first box on the left is labeled 'Source Funds'. A white arrow points from the right side of this box to the left side of the second box in the middle, which is labeled 'Financial Aggregation'. Another white arrow points from the right side of the second box to the left side of the third box on the right, which is labeled 'Economic Development'.

**Financial
Aggregation**

**Economic
Develop-
ment**

Laughter at the Federal Reserve

Figure 1.1: Hilarity at the Federal Reserve



Source: Federal Reserve FOMC Transcripts, Graph created by Daily Stag Hunt

Project financing model, Kartez and Merrill, JOCE, 11/16

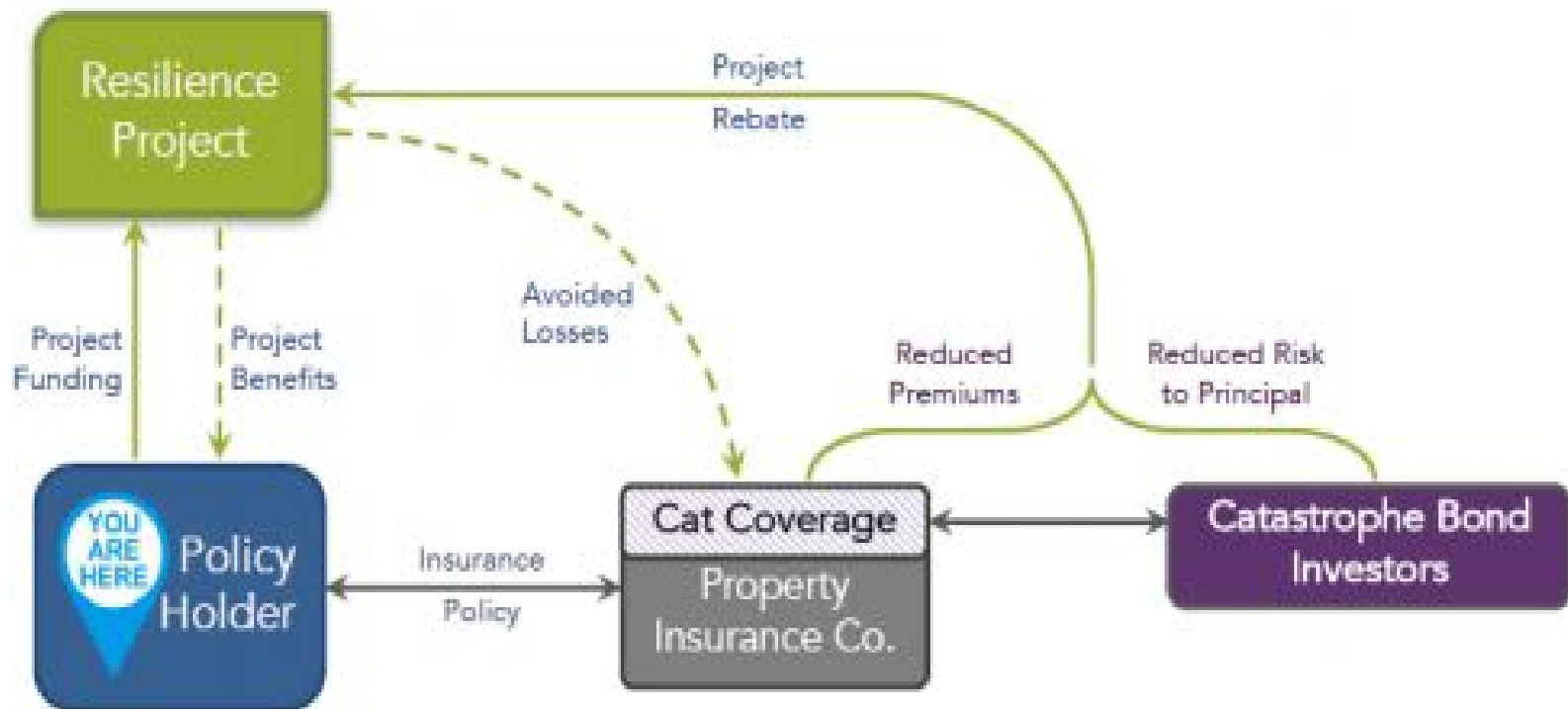


Figure 2. Resilience bond concept (re:focus Partners, 2015a)

Why?

- Complex system conditions can't be fixed like a lawnmower, they have to evolve and transform with time.
- Habits of thought and action reify into powerful social structures.
- This points us in the direction of Institutional Economics

Central theme of my work as an institutional economist

- If we want to evolve out of these troubling systems conditions, we need to develop a clear understanding of the economic institutions that dominate our economy and society.
- We also need to have a genuine commitment to institutional change.
- And we need to change these institutions in ways that will foster very different habits of thought and different modes of action.

Recall Rio Earth Summit (25 years ago)

- “That nothing less than a transformation of our **attitudes** and **behaviour** would bring about the necessary changes.”

Brundtland Commission's Report to the UN, *Our Common Future* (30 years ago)

- Sustainable economic development is that which **“meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

Institutional Economics (cont'd)

- We work outside the margins of conventional economics...
- Use a holistic/evolutionary framework of analysis...
- With a focus on institutions and social progress.

Social Institutions

- Walton Hamilton... “cluster of social usages”
- Elinor Ostrom: “Structured Human Interactions”
- Simply put, institutions are the rules of the game; they are the dos and don'ts of our activities set by laws, structures of governance, codes, cultural norms, or shared strategies that we habitually abide by.

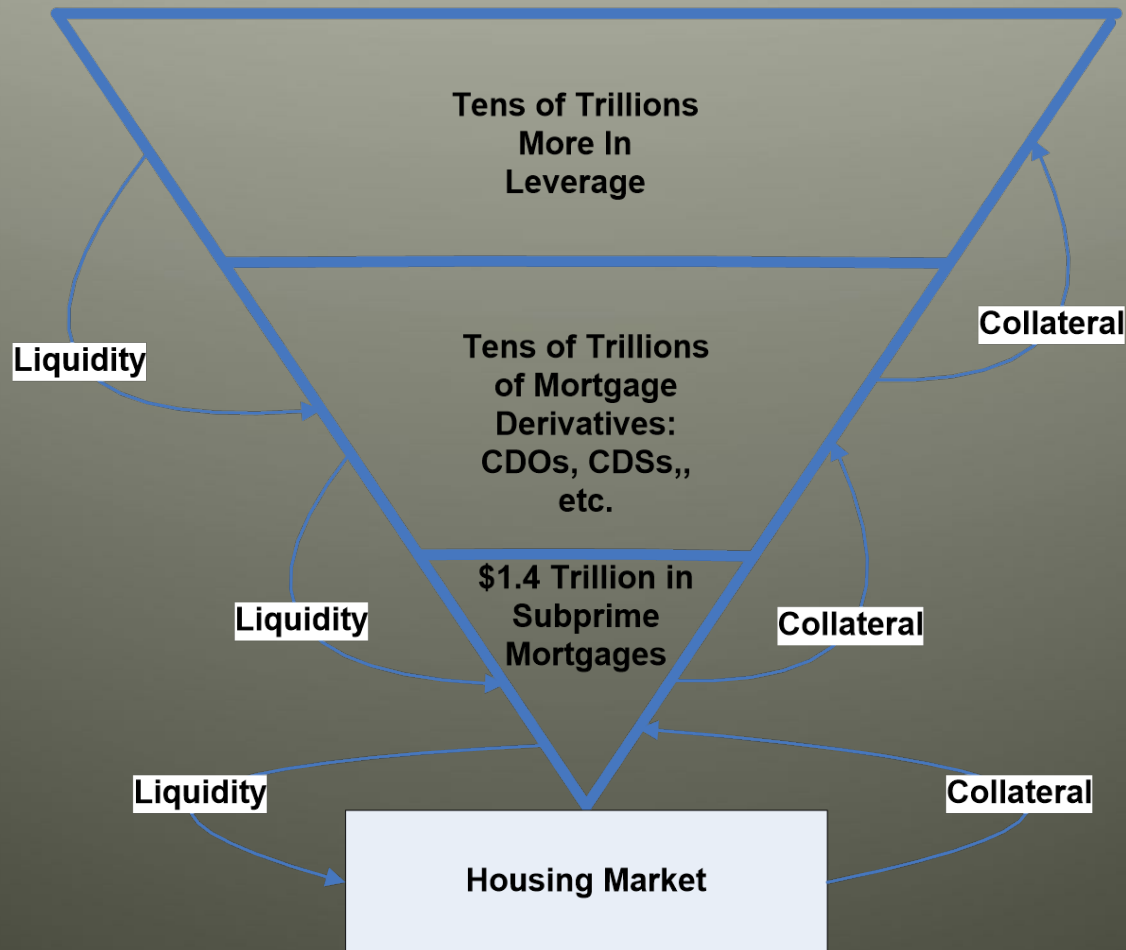
Institutional governance statements:

- Math homework must be done before dinner.
- Speed limit is 55 mph.
- Leave the hiking trail as you found it.
- Publish or perish.
- Only the 8 teams with the best records will make it to the playoffs.
- “I do”

In economics...

- Dollars are legal tender in the US, bacon is not.
- A state bank North Dakota is Legal, in Oregon it is not.
- Labor union strikes must be sanctioned by the National Labor Relations Board.
- The board of directors of a corporation has a fiduciary responsibility to shareholders to maximize share value.
- Corporations are “persons”.
- B corporations hold social and environmental impact on equal footing with returns to shareholders.

Crash of 2008: Wall Street / Washington Joint Venture



Crash of 2008: Wall Street / Washington Joint Venture

- Riegle Neal Interstate Banking and Branching Efficiency Act (1994)
- Gramm-Leach-Bliley Act (1999)
- Commodity Futures Modernization Act (2000)
- Federal Reserve, Wall Street's ATM machine
- With these and other institutional changes, the Federal Government helped create the conditions for a massive crash.



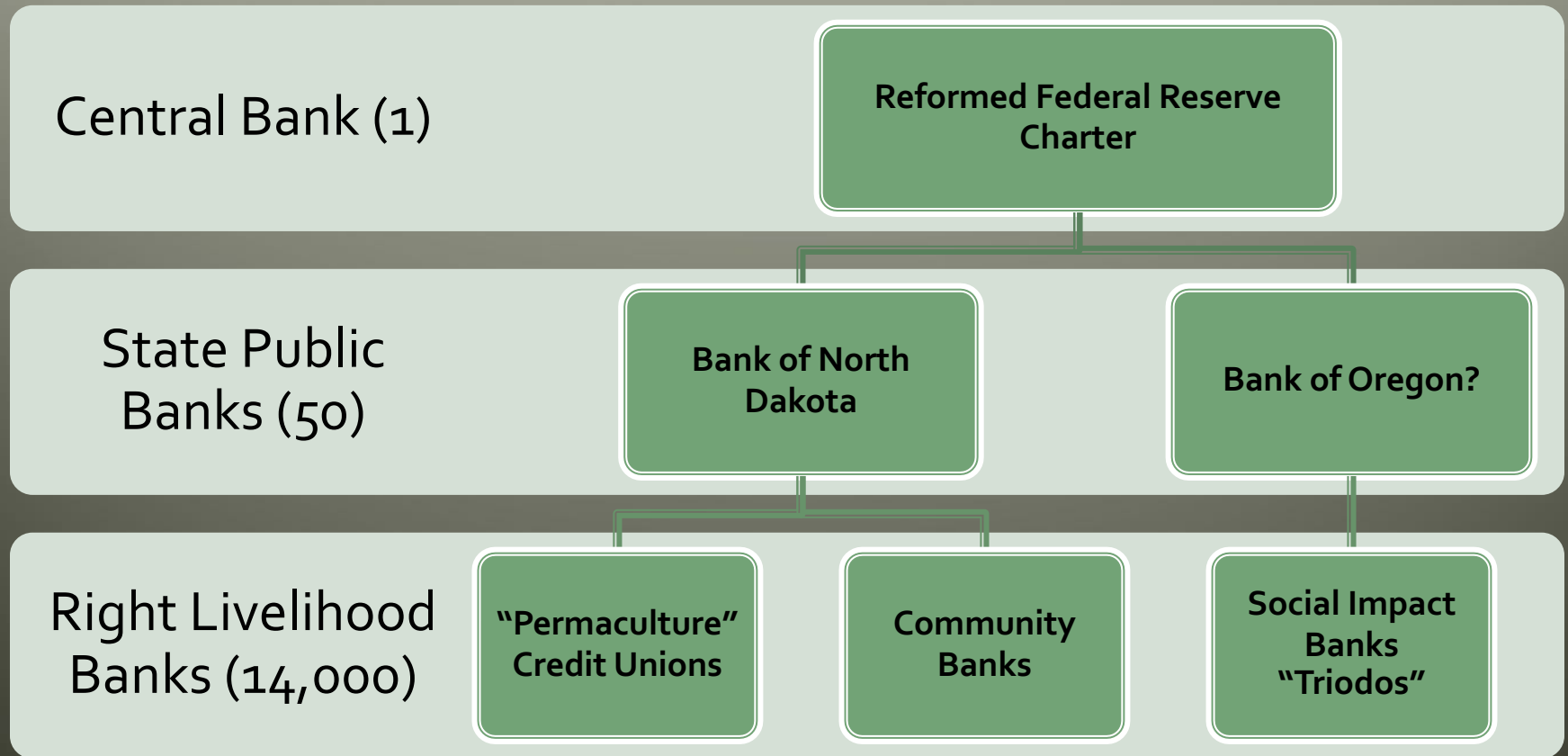
Positive systemic change through local “invention and diffusion”

- Thorstein Veblen called it “Invention and Diffusion”
- Ecological scientists call it “systems perturbation”
- New idea, new policy, new technology, new institution... get’s introduced into the systems as a positive force for change, causes changes, system evolves.
- Internet, central banking, solar energy...

David Ehrenfeld, Prof of Biology at Rutgers

- "...our first task is to create a shadow, economic, social and even technological structure that will be ready to take over as the existing system fails."
- Dual Process: Reinventing our habits of thought and action—meaning changing our institutions—while established habits become obsolete.

Right Livelihood Banking



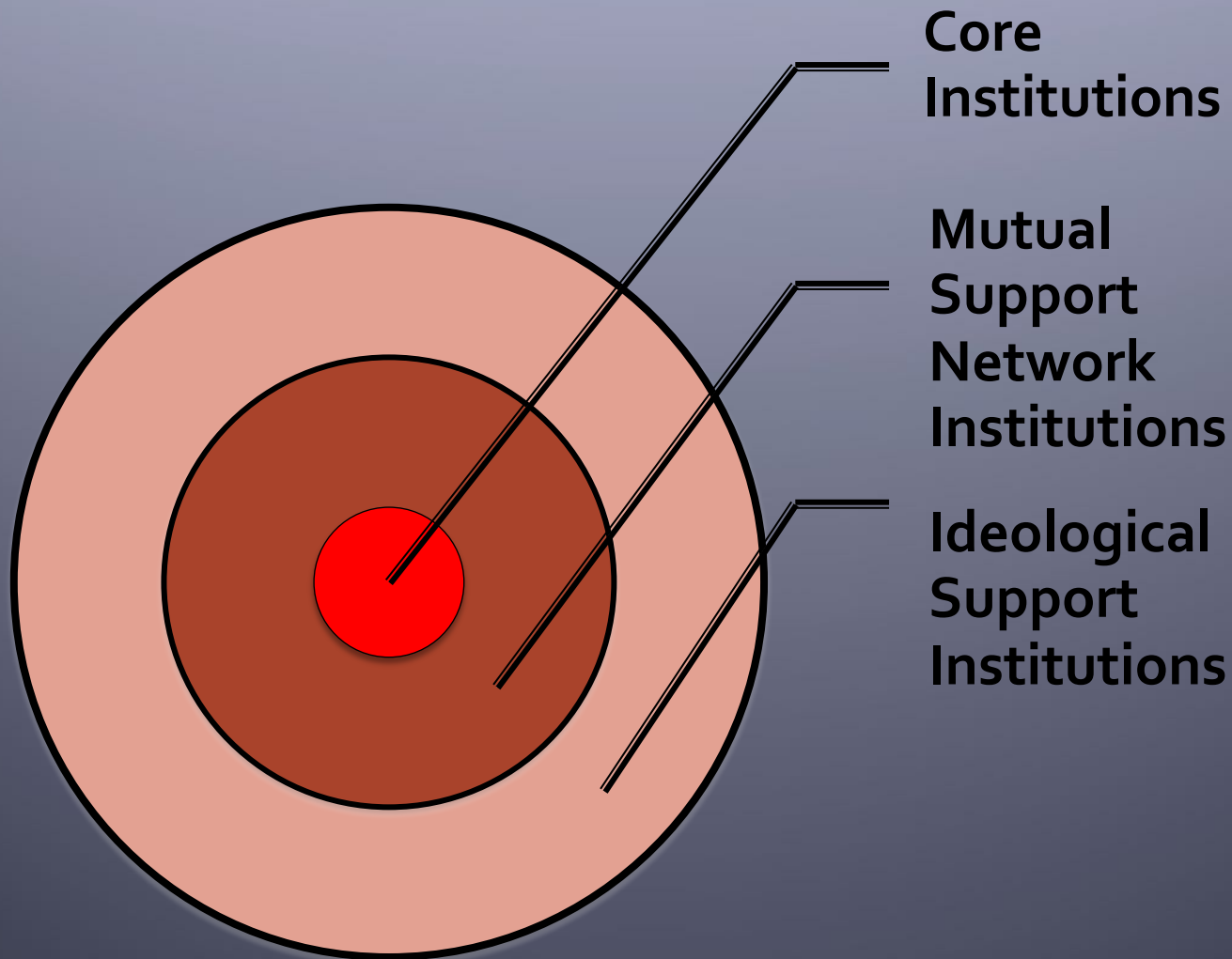
Economic Institutions

- **Social institutions are rule-based social structures that prescribe behavior.**
- **Economic institutions are a subset: rule-based social structures that prescribe economic behavior.**

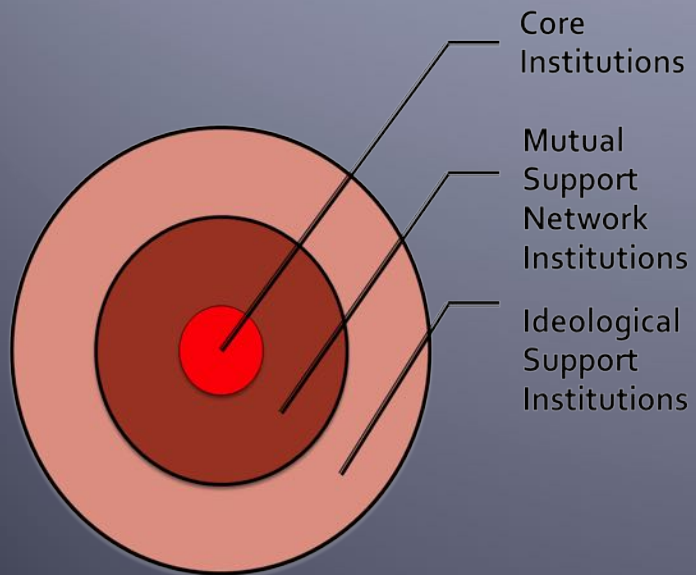
Crash of 2008: Wall Street / Washington Joint Venture

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The Institutional Economics Framework



The Institutional Economics Framework

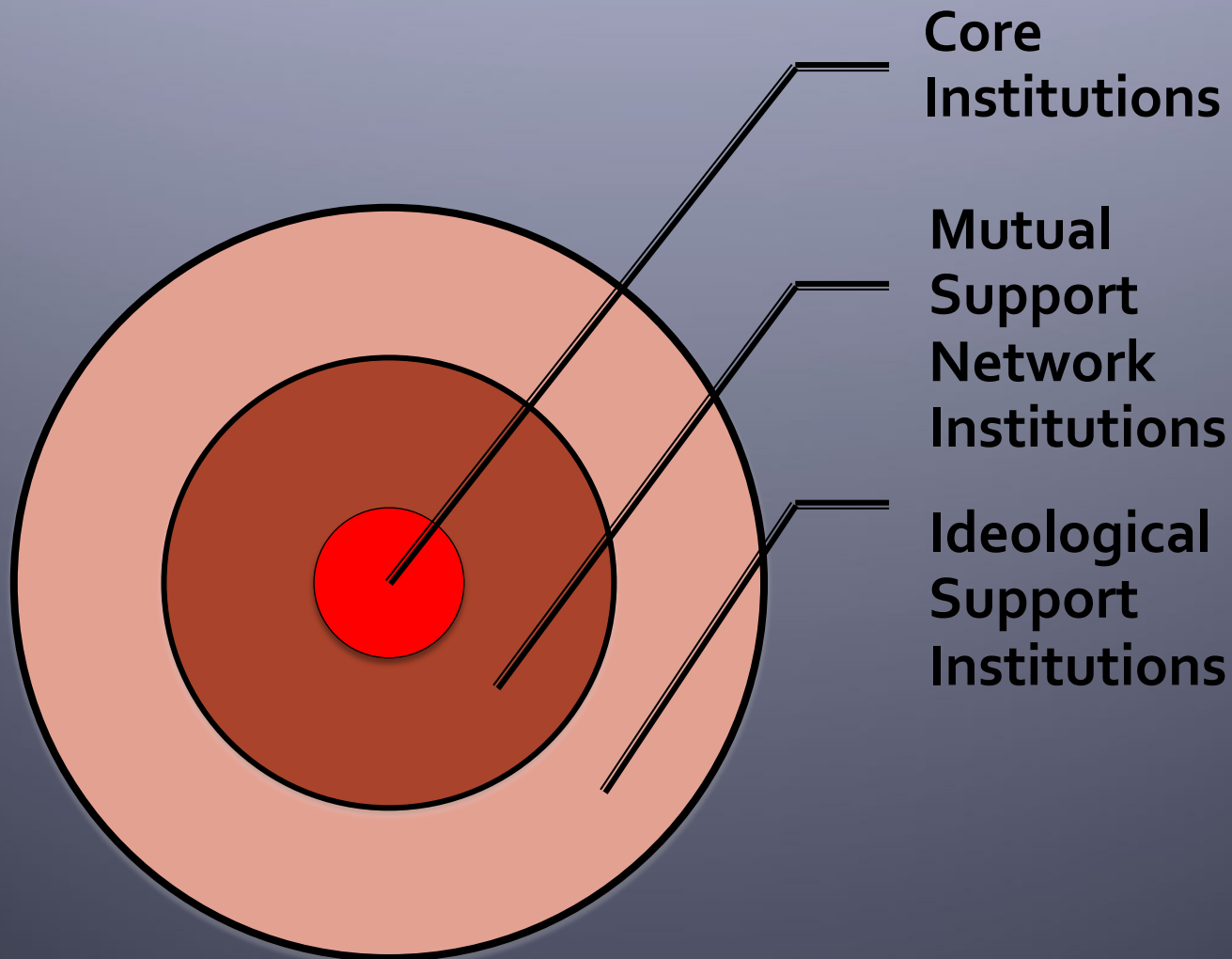


- Core Institutions: Multinational corporations, Wall Street, Fortune 500, Oil Companies.
- Mutual Support Network Institutions: The Federal Reserve, US Treasury, IMF, WTO, ECB, Chamber of Commerce
- Ideological Support Institutions: Media, think tanks, academia, “The Neoliberal Thought Collective”

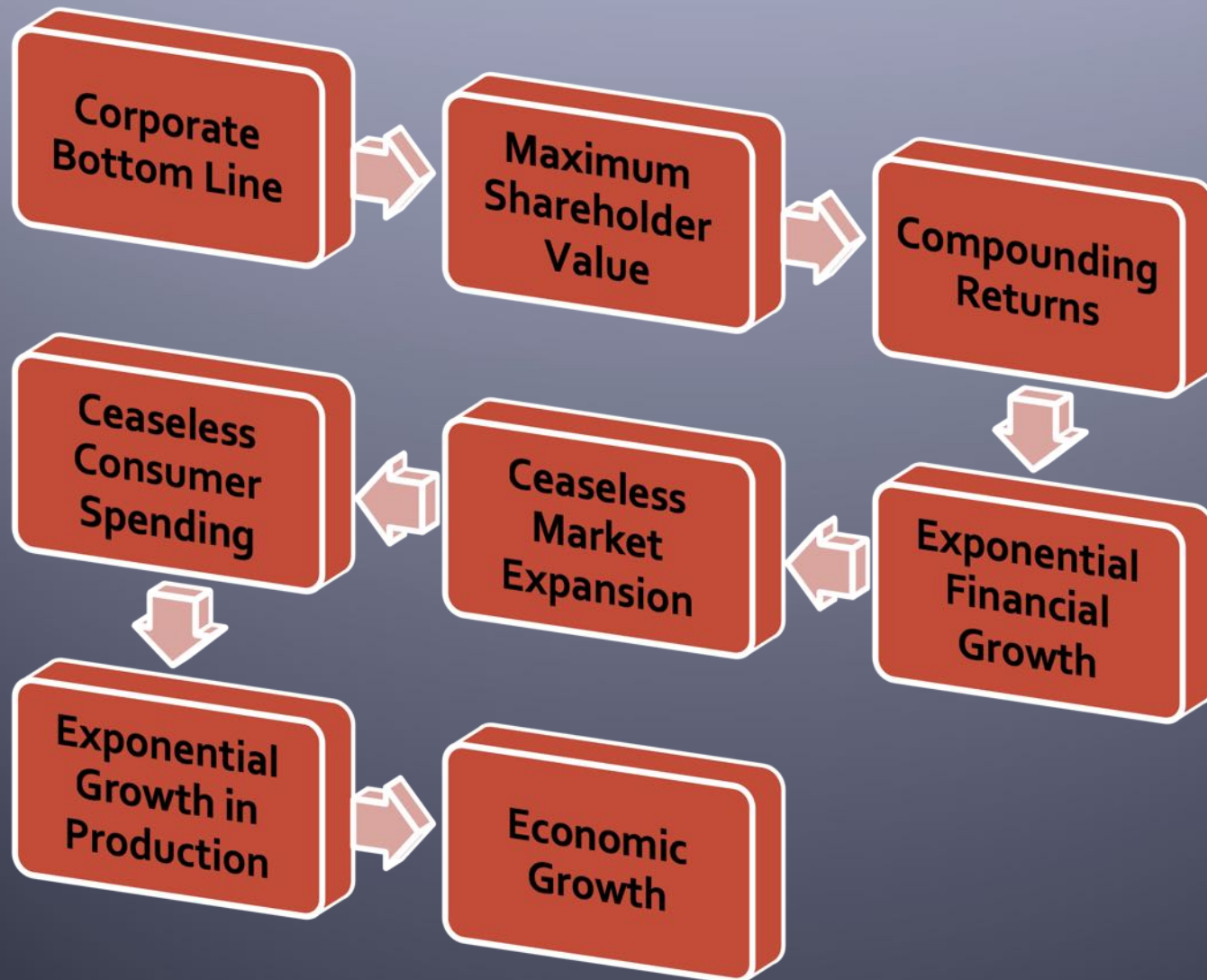
Philip Mirowski: “The Neoliberal Thought Collective”

- Government agencies are centrally important economic actors.
- All social, economic, and environmental problems can be solved in the market system.
- The corporation is a public servant and is not accountable.
- Social classes or social structures of power don't exist, only individuals
- Income and wealth inequality and greed are necessary.

The Institutional Economics Framework



The Growth Imperative of the Core Institutions



Anthropogenic Climate Change and Resource Depletion.

- When we talk about global warming and resource depletion as being “anthropogenic,” we’re talking about our economic behavior of producing and consuming without limit as these are the roles we play within the structure of our core and support institutions.

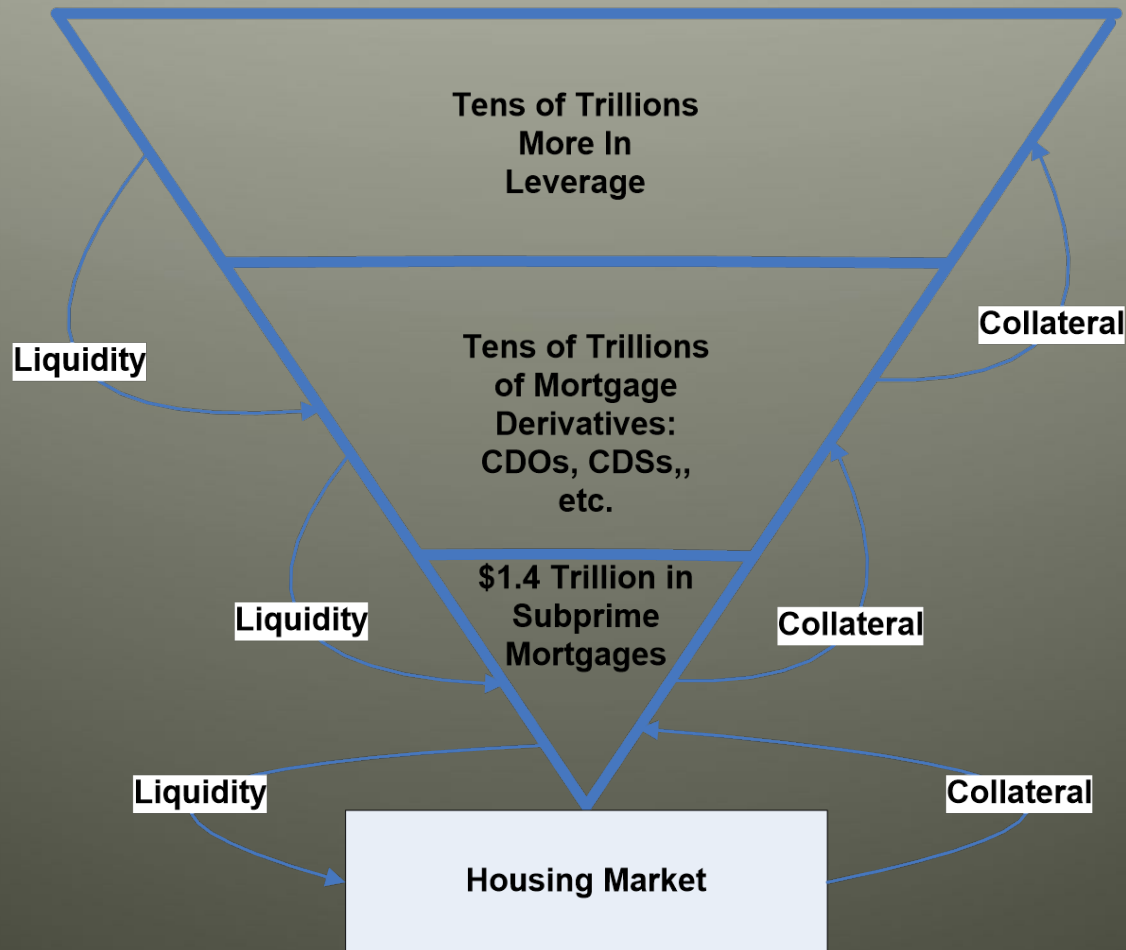
Income and Wealth Inequality.

- When we talk about “inequality,” we are talking about a condition normalized within the structure of our core and support institutions.

Financial System Instability.

- When we talk about financial system instability, we're talking about a condition that is embedded within the structure of our core and support institutions.
- Crash of 2008 as a case in point...

Crash of 2008: Wall Street / Washington Joint Venture



National politics?



WHITE HOUSE

Trump scrubs climate change from website

Chris Mooney *The Washington Post*

Nearly simultaneously with President Donald Trump's oath of office Friday, the White House website shifted to remove climate change related content from the Obama years and supplant it with a new statement of Trump's energy policy — one focused, it said, on reducing “burdensome regulations on our energy industry.”

Administration tells agencies not to talk

Associated Press

WASHINGTON — The Trump administration has instituted a media blackout at the Environmental Protection Agency and barred staff from awarding any new contracts or grants, part of a broader communications clampdown within the executive branch.

The prohibitions came to light Tuesday as the agency moved to delay implementation of at least 30 environmental rules finalized in the closing months of President Barack Obama's term, a potential first step to seeking to kill the regulations.

A summary of the actions posted in the Federal Register includes a long list of regulations that include updated air pollution rulings for several states, renewable fuel standards and limits on the amount of formaldehyde that can leach from wood products. President Donald Trump signed a directive shortly after his inauguration on Friday ordering a "regulatory freeze pending review" for all federal agency rules that have not yet taken effect.

Emails sent to EPA staff and reviewed by The Associated Press also detailed specific prohibitions banning press releases, blog updates or posts to the agency's social media accounts.

The Trump administration has also ordered what it called a temporary suspension of all new business activities at the department, including issuing task orders or work assignments to EPA contractors. The orders were expected to have a significant and immediate impact on EPA activities nationwide.

Similar orders barring external communications have been issued for other federal agencies, including the departments of Transportation, Agriculture and Interior.

Going rogue

With the Trump administration placing a gag order on the Environmental Protection Agency, shutting down its Twitter feed, dismantling Web pages with climate-change information, Badlands National Park went rogue.

"Today, the amount of carbon dioxide in the atmosphere is higher than at any time in the last 650,000 years," it declared in one of at least four tweets. But in late afternoon, the tweets suddenly vanished.

Memories, however, can't be erased. Twitter hailed the tweets as heroic.

David Ehrenfeld, Prof of Biology at Rutgers

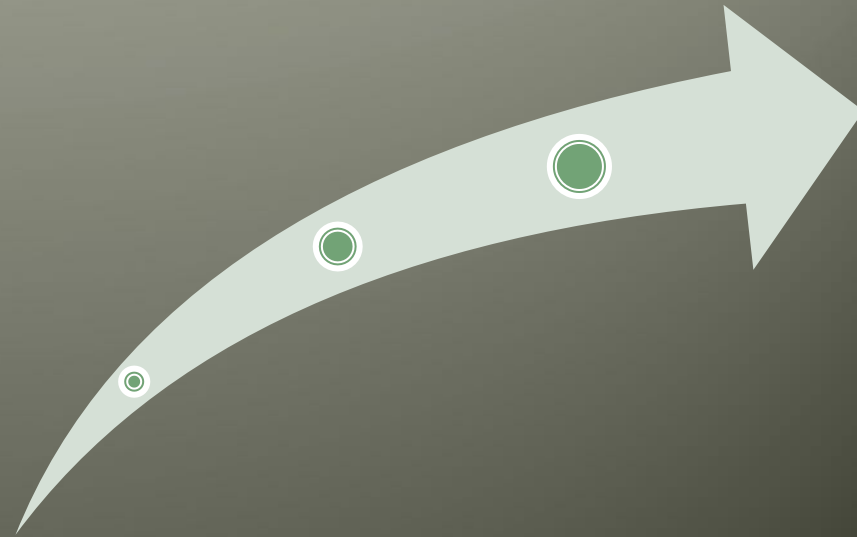
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Dual Process

**Descent of Business
as Usual**



**Ascent of New Business
Models**



Business Ethics Center
CORVINUS UNIVERSITY OF BUDAPEST

BND
Bank of North Dakota

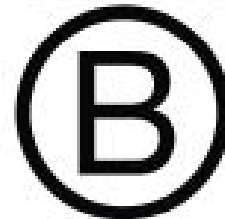
SLOWMONEY



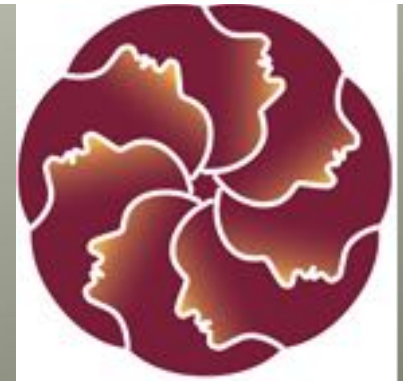
**Permaculture
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INVESTING IN SUSTAINABILITY

Brought to you by
the community of

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MIND & LIFE
EUROPE

Public Banking



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Triodos
Bank

Commercial banking company



**Portland
Public
Banking
Alliance**

...banking in the people's interest

Right Livelihood Banking

