

A Theory of Community: The Foundation of a 21st Century Economics for a 21st Century Civilization

DAVID KORTEN

“The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.”

--John Maynard Keynes (1930)

“Thus, in finding solutions to this pandemic, the choice will be between life, the resurrection of the people, and the god of money. If you choose money, you choose the way of hunger, slavery, wars, arms factories, uneducated children.”

--Pope Francis (2020)

We humans are a remarkable species with an extraordinary drive to understand ourselves and our place in a complex and evolving universe. In search of such understanding, we develop cultural narratives that express our shared understanding of who we are and why. Science calls these narratives theories. They guide us in making the individual and collective choices by which we organize as families, clans, identity groups, societies—and now as a global civilization.

If we get our narrative wrong, we get our choices wrong in ways that can make us a threat to ourselves and to the living Earth from which we evolved. Our current narrative is deeply flawed.

A Species in Terminal Crisis

The failures of the global economy pose an existential threat to human viability of such magnitude that we face potential extinction by our own hand.

According to estimates of the Global Footprint Network, 1.7 Earth's would be required to sustain current human consumption. We have only one Earth. Yet we continue to pursue growth in consumption as humanity's defining economic priority.

Little if any benefit accrues from GDP growth to the billions of Earth's people who face a daily struggle to fulfill needs for food, water, shelter, and other basic wellbeing essentials. The resulting tensions lead to high rates of suicide, mental illness, and violence—including in so called “developed countries” that present themselves as models of economic success.

Currently, as the world struggles to contain a deadly COVID-19 pandemic triggered by human abuse of nature, the resulting economic shutdown reveals the risks created by our dependence on fragile global supply chains.

Meanwhile a global human population of 7.8 billion people continues to grow, thus putting further human pressure on an already overstressed Earth. The most extreme inequality humans have ever experienced continues to grow as well, at a previously unimaginable rate. In January 2020, the wealth of just 26 billionaires had grown to exceed that of the poorest half of humanity—3.9 billion people. By July 2020, the fortunes of the 15 wealthiest U.S. billionaires had grown by an additional \$401 billion in just six months, an average of \$27 billion each, even as ordinary people struggled to survive the COVID-19 economic shutdown.

These profound economic failures trace to our collective seduction by a deeply flawed economic theory that denies what makes us truly human. Rather than embrace our nature as intelligent living beings, we act as if we were financial algorithms that value life only for its market price.

An Economics that Denies Our Humanity

The institutional system now driving humanity toward self-extinction is guided and legitimated by a theory that is obscure to most people but is embraced as sacred truth by most economists and teachers of business management. Known as the Theory of the Firm, it assumes that the purpose and responsibility of business—and the economy—is to maximize financial returns to individual shareholders. The theory operationalizes the foundational premise of neoliberal economics that the wellbeing of all is maximized by free (unregulated) markets in which individuals and firms (corporations) compete to maximize their financial gain. By its reckoning, the firm is the economy's primary player; society, aka, the community, is a fiction and merits no consideration.

The corporation's labor costs are to be minimized. Nature is valued only as a source of resources and waste disposal at the beginning and end of linear supply chains best designed and managed by transnational corporations to minimize redundancy (i.e. resilience) to maximize efficiency and shareholder return. Relationships of people with each other and with nature are reduced to transactions mediated by markets, money, and legal contracts.

The Theory of the Firm assumes the defining human purpose is to consume ever more irrespective of actual need. It ignores our dependence on clean air, clean water, fertile soils, and a stable climate; as well as our emotional need for relationships based on mutual caring. It affirms policies that strip governments of democratic accountability and that limit governments' role to subsidizing corporate supply chains, enforcing contracts, and using military and police powers to secure corporate assets.

In short, the Theory of the Firm denies all that makes us human, is blind to our dependence on nature, dismisses government's defining responsibility to support we the people in our efforts to secure family and community wellbeing, and places no limits on the financial and political power that an individual person or firm can acquire and apply in the pursuit of private financial gain. It views money as the primary measure of value, growing GDP as the primary indicator of economic performance, and financial speculators as wealth creators although they produce nothing of actual value.

While proponents of neoliberal ideology and the Theory of the Firm voice a commitment to ending absolute poverty (defined by the UN's Sustainable Development Goals as the absurdly low income of less than \$1.25 day), they see no problem with extreme inequality. They consistently advocate policies that shift power from governments presumed to be accountable for the wellbeing of people to corporations dedicated to whatever maximizes profit regardless of consequences for the society they dismiss as a fiction.

Ignoring our nature as living beings that exist only as contributing members of Earth's interdependent community of life, the Theory of the Firm characterizes humans as solitary individuals. It prioritizes choices that maximize corporate profits, assuring us in defiance of logic and experience, that these choices grow the wealth of all and thereby serve the common good.

Academics in prestigious universities indoctrinate future leaders of business and government in schools of economics and management in the theory's fallacies, thus preparing them to serve the institutions and perpetuate the practices that constitute an existential threat to humanity and Earth.

As we learned from Thomas Kuhn, a solid critique is not sufficient to break the hold of a flawed theory. It must be replaced by a more compelling theory. The needs of our time are best served by a Theory of the Community grounded in our understanding of life and suited to guiding the transformation of society's defining institutions and management practices to align with that understanding.

We Are Living Beings Born of an Earth Community

Looking to the life sciences, we see an emerging recognition that life as we know it exists only in communities of organisms that self-organize to create and maintain the conditions essential to their individual and collective existence. These conditions include resilience and continuous regeneration.

The human body is an intimately familiar example. The holder of our consciousness and the instrument of our intelligent agency, our body is a community of tens of trillions of regenerating cells and microorganisms engaged in a continuous exchange of nutrients, water, energy, and information mediated by the body's heart, lungs, liver, brain, and other organs. If this exchange suffers serious disruption, we die.

Science is only beginning to understand the complex processes of communication and decision-making by which our body's cells achieve this miracle. Our conscious mind not only does not control these processes, it is generally unaware of them. Its role is to manage our body's engagement with its external environment.

When we extrapolate this understanding to Earth, we see an even more vastly complex living organism. Like any multi-celled organism, the living Earth survives as a living being only so long as its countless individual organisms self-organize as interdependent communities to create and maintain the conditions of climate, pure water and air, fertile soil, and all else on which life—including human life—depends.

The challenge of organizing a human society of 7.8 billion intelligent and self-aware people in symbiotic (mutually beneficial) relationship with Earth seems almost simple by comparison with the challenge that living Earth's community of life has mastered. In learning to manage ourselves in ways that work for ourselves and for Earth, we have much to learn from healthy non-human living communities that meet their needs through continuous exchange between cells, organisms, and Earth's physical structures with no need for money, command and control institutions, or legal adjudication.

We frequently find in nature a clear and immediate quid pro quo, as in the dramatic case of the cleaner fish that feeds on parasites that infest the shark's mouth. Most examples are less dramatic. Some take decades to play out. Life's capacity to achieve its miracle of synergistic (collaborative) self-organization and self-evolution is a product of its capacity for distributed intelligent agency.

Despite our failings, it appears we humans are the currently most advanced expression of life's evolution journey toward ever-increasing intelligent, self-aware agency. We have yet, however, to develop the wisdom and skills required to use this capacity in service to the health and wellbeing of Earth's community of life on which our own wellbeing ultimately depends.

A well-developed Theory of Community will guide us in fulfilling our responsibilities to the whole of Earth's community of life both locally and globally. It will rest on the foundational understanding that is emerging from the life sciences that:

Complex living organisms like humans exist only in multi-species communities that self-organize to create and maintain through continuous regeneration the conditions essential to their own existence.

Our human wellbeing depends on the wellbeing of Earth's holarchy (an interdependent system of self-governing nested whole parts that collectively organize from the bottom up) of living communities that are the source of life's capacity for resilience and

regeneration. This explains the deep desire of mentally healthy humans, when their behavior is not distorted by dysfunctional institutions and false cultural narratives, to be concerned for the welfare of others and Earth. We routinely perform generous acts of kindness to neighbors, strangers, animals, and even plants, though there may be no immediate personal benefit other than the satisfaction of doing so.

Toward an Economics for the Living People of a Living Earth

Securing the wellbeing of Earth's holarchy of living communities requires that we embrace regenerative/living communities as our defining units of societal organization and manage them in accordance with three foundational principles of a Theory of Community and a 21st century economics.

1: Relating to Purpose: *The defining purpose of both society and the economy must be the health and wellbeing of place-based living communities and their members. All our choices relating to how we organize and manage ourselves and our relations with nature properly follow from this purpose, including our choice of the indicators by which we assess the performance of the economy and the firm.*

All living beings that contribute to life's health and beauty have intrinsic value. As a choice making species with a distinctive capacity for conscious creative agency, humans have an exceptional potential to serve life's continuing regeneration, resilience, and creative unfolding. Doing so is a defining responsibility foundational to our own wellbeing. We must choose our indicators of economic performance accordingly.

Growing GDP works nicely as a defining economic indicator if our goal is to grow corporate profits and the fortunes of billionaires. It is a disastrous choice if our goal is the wellbeing of humans and Earth.

Living beings grow physically, but only within life's continuing cycles of birth and death. If our human body continues to grow past adolescence, it generally means we need to change our diet and get more exercise. In making perpetual GDP growth our defining human purpose, we have made money our defining value and created an economy at odds with our nature as living beings. The resulting social and environmental devastation demonstrates that this an act of collective madness that has put us on a path to human self-extinction.

Growing aggregate consumption can temporarily grow the wellbeing of select populations if Earth has excess regenerative capacity and the benefits are equitably shared. These conditions were largely present in several industrialized countries for a period of about 25 years following WWII. Then two things changed almost simultaneously. Human consumption hit Earth's environmental limits and an ideology known as neoliberalism began to dominate economic policy making.

According to the Global Footprint Network, human consumption [hit the limits of Earth's regenerative capacity in 1970](#). At roughly the same time, proponents of neoliberal economic ideology mobilized to break up unions and advance new policies that have since supported an ever-growing concentration of wealth and corporate monopoly power delinked from public accountability for the consequences. As the neoliberal assault on democracy and the middle class played out, GDP growth delinked from wellbeing and became an indicator of the rate at which the economy is killing Earth, enriching billionaires, and reducing most people to lives of growing desperation.

Kate Raworth, the widely acclaimed author of *Doughnut Economics*, suggests that managing a modern economy requires two indicator panels. One panel warns when essential human needs are not being met. The other warns when humans overburden one or more of Earth's critical regenerative systems. The goal is to equitably meet the material needs of all people within the limits of Earth's regenerative capacity.

Raworth advises that we be agnostic on the use of GDP. Her primary recommended indicators are non-financial. In my view, GDP is a distraction that serves no useful purpose.

2: Relating to Power: *To secure the wellbeing of society, power must reside in communities of place that control and manage their resources through deeply participatory processes consistent with the needs of the whole. All institutions, including those of business, must ultimately serve the wellbeing of and be accountable to deeply democratic bioregional communities of place. The Firm must have profits sufficient to remain viable and provide a fair and modest return to investors commensurate with risk. Beyond that its defining responsibility is to maximize its contributions to the wellbeing of the communities in which it does business.*

Living systems organize within structures that facilitate highly complex synergistic decision-making by the community's member organisms as they interact to maintain community resilience and regenerative health. Though these systems are globally interlinked, the decision making is everywhere local and must be intimately responsive to constantly changing local circumstances. The greater the need for creative local adaptation to secure resilient regeneration, the more essential a capacity for local self-organization becomes.

For humans, monopolistic concentrations of centralized power managed through top down processes that secure central control disrupt, even preclude these essential rapidly adaptive processes. They are relics of our imperial past. They must give way to local self-governance and environmental self-reliance within a holarchy of nested communities in which higher level governance structures support lower level resource control and self-organization (subsidiarity) to meet local needs in balanced relationship with nature.

Power must reside in deeply democratic communities and be equitably distributed among community members who contribute as circumstances require. Success depends on constant dialogue as community members learn together to make individual decisions in their relationships with one another and Earth that secure the wellbeing of the whole.

Ultimately, all institutions must be accountable to the people of the community/communities they exist to serve. This is contrary to the nature of the profit-maximizing corporation favored by the Theory of the Firm. The charter of a for-profit corporation is a legal instrument that supports the unlimited concentration of economic power in firms free from accountability to the communities in which they do business. It has no legitimate use in the 21st century civilization to which humanity must now transition.

Equally obsolete is the current system of monopolistic private for-profit banks that create money by issuing interest-bearing debt that can be repaid only so long as GDP growth is generating sufficient new debt to pay the interest on outstanding debt. If debt stops growing, interest cannot be paid, banks go bankrupt, money disappears, businesses fail, jobs disappear, and people lose access to essential goods and services.

This system must be transformed to make money creation transparent, accountable, and supportive of productive investments that put underutilized regenerative resources to work meeting unmet community needs without creating ever-growing unpayable debt. Money must serve—not dominate.

The governance internal to individual institutions is also at issue. The most effective human teams and organizations are largely self-organizing and self-governing. Their members take on such tasks and roles as the situation requires, consistent with responsibilities and agreements with neighboring communities.

3: Relating to Procreation: *Living communities maintain their capacity for regenerative resilience and creative unfolding through continuous procreation—continuing cycles of death and rebirth and the constant predominantly local sharing and recycling of nutrients, water, energy, and information in balanced relationship with one another and finite living Earth. By our thoughtful and responsible support of these cycles, we support continuing evolution toward the ever-growing beauty and creative potential of the whole.*

Life engages in constant cycles of rebirth, regeneration and renewal as it regenerates soils, aquifers, streams, and rivers; sequesters excess carbons, toxins, and other wastes; purifies the air; and stabilizes weather and local and global temperatures—all in continuing struggle against the forces of entropy. Some species engage in regular migration over significant distances, usually in ways that make distinctive contributions to the communities through which they traverse, including serving as food for others and selectively culling the species on which they themselves feed.

Life is continuously adapting to changing local conditions, including adjustments to keep local populations in balance with local regenerative capacities. Other than the droppings of migratory birds or nutrients from the bodies of dying salmon, most everything needed is acquired and processed from local resources. So long as each local community is meeting its needs in balance with its local ecosystem resources, the global ecosystem remains in balance.

Humans currently burden these systems far beyond the limits of finite Earth's capacity for resilience and regeneration. This burden has implications for how we live, learn, and procreate as humans.

Our children are humanity's future. Their care must be a defining priority. Earth has more than enough abused and neglected human children. What we lack is adequate attention to the care and development of all our children to assure that they achieve their full adult potential as intelligent, responsible contributors to the wellbeing of the whole.

Imagine a world in which every human child is a wanted child who receives the loving care of family and community supportive of their development into fully functioning caring adults committed to the wellbeing of others.

These are foundational principles of a 21st century economics for a 21st century civilization.

Human viability depends on transitioning to the culture, institutions, technology, and infrastructure of a global civilization—an Ecological Civilization—that aligns with 21st century reality and our true nature as living beings. It is a monumental challenge that will ultimately require the commitment of billions of people supported by thoughtful members of the academy who recognize the failings of the theories currently taught in our schools of economics and management.

Together we must—with all due haste—advance our understanding of how life organizes, our human nature, and our human contribution to creation's continued unfolding as we find our way to a new civilization consistent with our true human nature, needs, and potential.

David Korten is president of the Living Economies Forum, a member of the Club of Rome, co-founder and former board chair of YES! Magazine, and the author of numerous influential books, including Agenda for a New Economy: A Declaration of Independence from Wall Street; Change the Story; Change the Future: A Living Economy for a Living Earth and the international best sellers When Corporations Rule the World; and The Great Turning: From Empire to Earth Community.

He holds MBA and PhD degrees from the Stanford Graduate School of Business and is a former Harvard Business School professor. His current work builds on lessons from the 21 years he and his wife, Fran, lived and worked in Africa, Asia, and Latin America on a quest to end global poverty. Follow him on Twitter [@dkorten](#) and [Facebook](#).

This is a revised and expanded version of a paper circulated to participants in the February 2, 2018 "Necessary Conversation" webinar sponsored by the International Humanistic Management Association.

My thanks to Michael Pirson for drawing my attention to the significance of the Theory of the Firm and the need for a Theory of the Community; to Pirson and Steckler for organizing and facilitating the webinar; to Sandrine Dixson Decleve for challenging me to frame three essential principles of a new economics as input to the Club of Rome's "Reclaim Economics" initiative; and Pirson, Decleve, Fran Korten, Erica Steckler, Mamphele Ramphele, Carlos Alvarez Pereira and Anders Wijkman for their critical intellectual and editorial contribution; and to the many wonderful teachers and colleagues over the course of my now 83 years on whose work and insights this paper builds.