



Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises — A Book Talk with Marjorie Kelly

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Description

Wealth inequality has worsened over the last several decades, with the US having some of the highest inequality among industrialized countries. The top 20% of US households by income hold 70% of the wealth — over \$96 trillion — according to the [Federal Reserve](#). Households in the bottom 20%, by comparison, hold just 3% of the wealth, or \$4 trillion.

In her new book, "[Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drives Today's Crises](#)," Marjorie Kelly of the Democracy Collaborative explains how the bias toward wealth that is woven into the very fabric of American capitalism is damaging people, the economy, and the planet, and she explores what the foundations of a new economy could be. The book exposes the myths underlying wealth supremacy, the bias that institutionalizes infinite extraction of wealth by and for the wealthy, and how this bias is the hidden force behind economic injustice, the climate crisis, and so many other problems of our day.

For more information about this event — including video, audio, and additional resources — visit as.bn/wealthsupremacy

Speakers

Marjorie Kelly

Distinguished Senior Fellow, The Democracy Collaborative;
Author, "Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises"

Marjorie Kelly is Distinguished Senior Fellow with [The Democracy Collaborative](#), and the author, with Ted Howard, of "The Making of a Democratic Economy." Her previous books are "Owning Our Future: The Emerging Ownership Revolution" and "The Divine Right of Capital." Kelly has for years been a thought leader in next generation enterprise design, employee ownership, impact investing, and the building of

a democratic economy. She and her colleagues at The Democracy Collaborative were strategic advisers and designers for the launch of the Fund for Employee Ownership, now housed at the Evergreen Cooperatives in Cleveland, which originally was a network of 3 worker-owned firms and has added 4 new firms through conversions by the fund. Kelly also co-authored research on the role of capital in taking employee ownership to scale, and she did research and convening on the model of 50 employee-owned firms that are also B Corporations, which she terms "next generation enterprises." Jay Coen Gilbert credits Kelly with inspiring the creation of the B Movement of B Corporations with her book *The Divine Right of Capital*. Previously she was a Fellow at the Tellus Institute and cofounder/president of *Business Ethics* magazine.

Maureen Conway (Moderator)

Vice President, The Aspen Institute;
Executive Director, Economic Opportunities Program

Maureen Conway serves as vice president at the Aspen Institute and executive director of the Institute's Economic Opportunities Program (EOP), which works to expand individuals' opportunities to connect to quality work, start businesses, and build economic stability that provides the freedom to pursue opportunity. Maureen founded EOP's Workforce Strategies Initiative and has headed up workforce research at the Aspen Institute since 1999. Maureen also curates a public discussion series at the Aspen Institute, *Opportunity in America*, which brings together voices from business, labor, policy, human services, media, academia, and others to discuss the challenges experienced by many in today's labor markets and new ideas for addressing these challenges. In addition, Maureen oversees EOP's leadership development programs, which connect innovators, both within communities and from across the country, to peers working to help low- and moderate-income Americans access opportunity.

About

Opportunity in America

Opportunity in America, an event series hosted by the Aspen Institute Economic Opportunities Program, considers the changing landscape of economic opportunity in the US and implications for individuals, families, and communities across the country. The series highlights the ways in which issues of race, gender, and place exacerbate our economic divides, and ideas and innovations with potential to address these challenges and broaden access to quality opportunity. We are grateful to Prudential Financial, Walmart, the Surdna Foundation, the W. K. Kellogg Foundation, Bloomberg, and the Mastercard Center for Inclusive Growth for their support of this series. Learn more at as.in/oppportunityinamerica.

Economic Opportunities Program

The Aspen Institute Economic Opportunities Program (EOP) advances strategies, policies, and ideas to help low- and moderate-income people thrive in a changing economy. We recognize that race, gender, and place intersect with and intensify the challenge of economic inequality and we address these dynamics by advancing an inclusive vision of economic justice. For over 25 years, EOP has focused on expanding individuals' opportunities to connect to quality work, start businesses, and build

economic stability that provides the freedom to pursue opportunity. Learn more at aspeninstitute.org/eop.

The Aspen Institute

The Aspen Institute is a global nonprofit organization committed to realizing a free, just, and equitable society. Founded in 1949, the Institute drives change through dialogue, leadership, and action to help solve the most important challenges facing the United States and the world. Headquartered in Washington, DC, the Institute has a campus in Aspen, Colorado, and an international network of partners. For more information, visit www.aspeninstitute.org.

Transcript

Maureen Conway (00:00:06)

Welcome, everyone. I'm delighted to have you here. My name's Maureen Conway. I'm a vice president at The Aspen Institute and I lead our Economic Opportunities Program.

I'm thrilled to welcome you to today's Book Talk about *Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises*. Delighted to have Marjorie Kelly here and to be launching - her book sales start today, right?

Marjorie Kelly (00:00:33)

That's right. Today's the kickoff.

Maureen Conway (00:00:35)

So today is the day, so we're excited to do that. Just to get started, just to mention this conversation is part of The Aspen Institute Economic Opportunities Program, ongoing Opportunity in America discussion series, in which we explore the changing landscape of economic opportunity in the United States, the implications for individuals, families, and communities across the country, and ideas for change.

Thanks to everybody for joining us today, both in person and virtually. We have a lovely virtual audience too. If this is your first time joining one of our events, we do record all of our events and host them on our website so you can find them at as.pn/EOPevents. I'm super excited for today's Book Talk. It's a great book. I have written all over it, whatever, really enjoyed reading it, so recommend.

It's really helpful, I think, to understand the bigger picture challenges that we face. At the Economic Opportunities Program, we do a lot of work with a variety of different kinds of organizations across the country that are trying to connect people to better opportunities. We work with workforce organizations, we work with community colleges, we work with local government agencies.

We work with community finance institutions and other organizations supporting small businesses. Just this wide variety of organizations that are trying to help people figure out how they can get a good job, or how they can start a business and build a sustainable livelihood. That's all really, really important work. There's a lot of amazing organizations that do this work.

But I've been doing this work for a lot of years now, and I have been interested in this work as an anti-poverty strategy for a longish career now. When I step back from that, it's like this is good work and I've seen organizations make a real meaningful difference in some people's lives. But when I step back, those problems, those problems of poverty, of working poverty, of the racial wealth gap, of households that just don't even have \$400 in an emergency.

These problems are just still with us. They haven't gotten better and, in some cases, they've gotten worse. Stepping back from that, you try to think about, "What is this bigger picture that keeps challenging all that work?" I think that that's the piece that this book really starts to pan out. There's a couple of other things I wanted to say about what I loved about this book.

One, I think it's a nice, simple, compelling explanation for what's happening with our economic system. I'll admit, I've actually studied quite a lot of economics in my past. But the truth is, you don't actually have to get very far in economics before you get to the part that inputs are land, labor, and capital for our system of production. What Marjorie points out is that the only one we actually care about in this system is capital!

Land and labor are just there for not a very good ride. That's a problem for us. You go, "Yeah, that probably isn't the most sustainable system." I think she really makes that argument that is complicated but makes it in a way that 's fairly straightforward. She goes also, I think, to the part that's complicated. I think she really explains all of the complicated financial jargon that is used around how we think about how things should happen.

Marjorie uncovers the wealth bias, as we call it, within that jargon and I think that's really well done. I particularly appreciate that this book is not a finger-pointing book. It's not like, "Let's grab our pitchforks and whatever sort of thing." It really named this system that's on autopilot, that nobody really intentionally, there's no malintent behind it...it just kind of grew up and is now operating in a way that, I think, is not how any of us would intend.

Then the final thing, I guess, I wanted to say is I also really appreciate how the courage to center values in a conversation about economics and finance. Economics is a social science, and you write, "Values form the moral heart of a social system." But economics, much as economists and my husband's an economist, actually some of my very best friends are economists. I really like economists.

But nonetheless, they will dress these things up in very fancy mathematical equations, but it is a social science. You also write that, "Morality in an economy is something we're taught is unneeded, irrelevant, possibly embarrassing." I think with that technical language and all the math around it and everything. When you start talking about more human dimensions, I think we can feel like, "Oh, people are going to think I'm too soft."

I think that's been a real challenge in how we have our conversations about our economic system, and what it's doing for us and what it's not. The last thing I'll say, reading this book, I felt like, "Oh, you can think two things very much at the same time." You can say, "Oh, this is so true." You can also say, "Nobody believes this." Then you realize, "Oh, actually I think maybe people do believe this, but we just haven't really had the right frame for saying it."

Last thing I'll say, this is The Aspen Institute, what do we love at The Aspen Institute more than anything? Dialogue, we love talking. What I really appreciate is one of your chief recommendations was we need to talk about this more.

Marjorie Kelly (00:07:02)

Yeah.

Maureen Conway (00:07:03)

Welcome to The Aspen Institute, we love to talk, so let's get talking. But before we get talking, I just want to do a couple of things for our livestream audience, so just a little housekeeping here. All attendees are muted. We welcome questions. We will have time at the end for Q&A, so hope everybody in the room and online is ready for questions. Online, please use the Q&A box on your screen, and somebody in the room will represent you.

We also encourage you to share your rooms and there's that chat function online. We have this great audience, you all are experts, you have things to share, you have experiences and perspectives. We love when you share that in the chat. Please introduce yourselves and share those with us. Appreciate everybody's feedback. Online, there'll be a survey that will pop up at the end, so please let us know what you think.

Everybody in person and online can also always send us an email at EOP.Program@AspenInstitute.org to let us know what you think. We'd love people's feedback and we're always trying to make things better. We also encourage you to tweet or whatever they call it these days. Our hashtag is #TalkOpportunity. If you have any technical issues, you can put a note in the chat or email us, again, EOP.Program@AspenInstitute.org.

Again, we're recording, and the webinar will be shared via email and posted on our website. Closed captions are available. Please use the CC button at the bottom of the video to activate those. A note for everybody in the room. We are also having a book sale at the end of today's discussion. Three lucky contestants will win a free book at the end, so please stick around for that. Marjorie will sign books at the end.

Whether you buy one, whether you win a free one, whatever, whether you steal one, she'll sign it. Okay, I am done.

Marjorie Kelly (00:09:09)

Great.

Maureen Conway (00:09:09)

Now we get talking. Marjorie, you and I have been working on these issues for some time. I mentioned a little bit of my journey on this. You do this work for a while, and you see things that are working really well.

It gives you some optimism, but sometimes you step back and it's like, "Wow, we just still have such a way to go." I just wanted you to talk a little bit about your journey and what brought you to writing this book.

Marjorie Kelly (00:09:37)

Yeah, that's great. Thanks, Maureen. Well, thanks everyone for coming. It's fun to have an in-person event, and of course, people online too. Yeah, I've been doing this work for more than 30 years.

Maureen, you and I have walked together in recent years. I started back in the late '80s. I started Business Ethics Magazine and I wanted to only talk about good business people and good investors.

I thought that was how you would change the world. I met a lot of people trying to do so. I've known so many fabulous leaders in this field, but I also saw things were getting worse and not better. There was a time companies did not do massive layoffs. Now it's routine sending jobs overseas, demanding tax breaks from cities just to stay. Boeing demanded tax breaks at one point.

They'd been in a city for 100 years and suddenly they needed a tax break in order to stay. There was a ruthlessness I saw that was becoming more and more the norm, even though there was more social investing happening, going on, every corporation had an ethics officer. They were all doing sustainability reports. All of these supposed ways to make corporations better were catching on, and yet behavior was getting worse.

I saw that the problems are systemic. It really goes down to the core aim of the system, which is as corporations say, "Maximize returns to shareholders," and shareholders are the wealthy. 89% of shares are held by the richest 10% and mostly by the upper reaches of that. Also, we saw plastics filling the ocean and birds dying. There was this crisis brewing.

So much of the change that we were working on didn't touch the essence of the system, which was in overdrive and on autopilot. That's really a lot of what I'm trying to say in the book is that it isn't. Yeah, there are CEOs we can call on the carpet and there are billionaires who we can point a finger at, and all of that is right. But if you eliminated all the CEOs and the billionaires tomorrow and even the directors of, say, all the institutional investments, it wouldn't make any difference.

The system would reconstitute itself. The individuals don't in the end, in a certain odd way, matter. Donella Meadows said this, she's a systems theorist or was. Unfortunately, no longer living but Donella Meadows, do people know her? Some people know that name? You should really look her up if you haven't. She said, "The most effective place to intervene in a system, is the level of mind that gives rise to the system." What's the way of thinking?

The way of thinking is what I am pointing out and I'm calling wealth supremacy. It's the idea that wealthy people matter more than others. We also call it capital. Capital is the working face of wealth. Capital holds the power. In corporations, only the capital has a vote. Capital might hold shares for a couple of minutes, and yet it has a power that workers who've been there for 30 years don't have.

Workers are oddly considered outsiders in the corporation, whereas capital alone is considered an insider. There's something that's very Alice in Wonderland that we believe that. It's a little bit like saying, "Well, only men are persons or only white people are persons." That's a bias and there's a bias going on inside our system.

It says, "Only wealthy people matter. If you own capital, then you matter. And if you don't, then you don't matter." I'm pointing this out, and as you said, Maureen, it's on autopilot. It's the mind, I think, it's the mind of the system that we need to start talking about and challenging.

Maureen Conway (00:14:02)

Yeah, that's great. Just to start with this, I think you start this book with this example that I just found horrifying in terms of how this thinking gets applied to water.

We all need water and we're familiar with the crisis, unfortunately, in Flint and then Jackson, Mississippi. We were looking at our climate change and everything and places are running out of water. There's a whole problem out West now in terms of thinking about the Colorado River.

Marjorie Kelly (00:14:37)

Right.

Maureen Conway (00:14:39)

You write about how finance is thinking about water and talk about that.

Marjorie Kelly (00:14:43)

Yeah, yeah. I open the book with a story of a hedge fund out there buying water rights in Colorado. In California, there is another big financial conglomerate that's out there buying water rights. Fortune Magazine said a few years back, it said, "Water is going to be to the 21st century, what oil was to the 20th century. It's the precious commodity that determines the wealth of nations." That's really right.

The UN says by mid-century, two thirds of the world is going to have a shortage of clean, fresh water. Two thirds of the world. Already there are wars over water, that if you look at it very deeply, it's water. How does big capital look at this crisis? They view it as an opportunity for what they call wealth creation and I call it wealth extraction. They want to go out and buy water rights, so that they can make money.

When water becomes scarce, they want to charge a lot of money as a form of conservation. There is something crazy about that, frightening about that. Actually, they want to do it with ecosystem services in general. There was something, a new vehicle created on the New York Stock Exchange a couple years ago called natural asset companies. I don't know if anybody's tracking this.

This is part of what when I talk about the mumbo jumbo and there's a colonization by capital that's ongoing, but most of us don't see it. We don't think of finance as having anything to do with us actually. But the idea of natural asset companies is they want to own forests, they want to own coral reefs and monetize these ecosystem services as a new form of capital extraction. I find it very, very frightening.

But here's the interesting thing. I thought, "Well, there's going to be an outrage on the left about this." I got on the internet; I'm going to look up and see who's raising a ruckus about this. Almost no one, we're not even talking about it. We're kind of asleep. Capitalists out there, they're already monetizing our identities. They want to own the gene code. Big companies, Walmart, I believe is the largest company in the world.

It's flattened mom-and-pop companies. Amazon has basically taken over the book industry. They sell more than probably two thirds of all the books that are being sold. There's this colonization going on that we just take as normal. We think there's nothing we can do. We think it's normal and it is frightening. I think there's a lot we can do. What I'm trying to do, first of all, is help us see what's happening.

Maureen Conway (00:17:46)

Yeah. No, I thought it was so interesting at this point that nobody's really noticing that. If I think about water, and I think it is this idea that nothing can be publicly held in a public trust, right? That everything can be privately owned.

Marjorie Kelly (00:18:09)

Yeah, that's right. That's right, Maureen. Yeah, we've been taught to fear public ownership. That's communism, that's bad. Government's inept, the government can't do anything right. The private sector is more intelligent, nimbler. Well, right now, 85% of Americans, we get our water from a municipally or locally owned utility. Evidence shows that we have better service and lower costs as a result.

Because if you have a municipally owned, and that means city government or maybe county owns and runs the water system, who are they accountable to? They're accountable to the mayor, they're accountable to the county supervisors. If you're upset about something, you can get somebody on the phone, you can raise a complaint. There's local accountability for water.

In particular, in the UK, in the United Kingdom, Margaret Thatcher came in and privatized all kinds of things, including water and electricity and airports. I don't know what all she privatized, but they found it was almost like she ran an inadvertent experiment in the difference between private control of water and public control of water.

They found that when you have private control of water, they raise the prices because, of course, they want to give money to their shareholders. They want to give big dividends to their shareholders. How do they do that? They cut the service; they degrade the service. That's how you make more profit. There's this one area, Thames Water is one of the big, private water firms serving London.

There are people in London, they've had sewage gush into apartment windows in London it's so bad. There's a part of the Thames River that they now call "crappuccino" because it's so polluted from this water. Water should be a public trust. Water should be governed in the public interest. It shouldn't be privatized; it shouldn't be used as profit maximization.

I use that example because one of the things I'm trying to say is there's two kinds of systems. There's extractive capitalism and there's a democratic economy. The democratic economy already exists in various pieces. We can grow it, we can knit it together, and we can make that our next system. It's not just small stuff. It can operate at scale too and we do have this choice.

Maureen Conway (00:20:47)

Yeah, great. One of the things I think you do a nice job of is explaining some of the terminology. I was wondering if you just wanted to talk a little bit about that.

Particularly, I was thinking about this issue of fiduciary responsibility and how that one has come up. Just talk a little bit about some of the words and what they mean.

Marjorie Kelly (00:21:07)

Sure. Yeah, that's good. That's good. Thanks, Maureen. Yeah, I ran a small business for 20 years. I've lectured at a lot of business schools. In a lot of ways, I feel like I've been a spy in the house of business for a long time, so I get the operating system. What I try to do in the book is unpack this operating system and show how it's threaded through with bias. I try to do it in a way that's accessible to regular people and strip away the mumbo jumbo.

Well, one of the things I talk about is fiduciary duty. Fiduciary duty is a term that applies to investment management. If you place your investments with an investment advisor or a mutual fund or investment manager, they have an obligation to act in your interest, and not go off and invest the money in their crazy uncle or go to The Bahamas or something. That's right, that's legitimate, that's necessary.

But what I say is that there's another piece hiding inside fiduciary duty, which we tend not to notice. That is that only gains to capital matter, nothing else matters. If you own a mutual fund and that mutual fund holds shares in Exxon, then fiduciary duty says, "Well, the job of Exxon is to drive up its share price and to have as much profit as possible." Preserving life on earth? Uh-huh, it doesn't count in fiduciary duty.

There's a lot of people working on that and trying to change that, so I don't want to pretend that I'm the first person who's noticed this. But it's an example of how, in these technical terms, fiduciary duty is part of the operating system of investment. CEOs or corporations will say, "Well, I have a fiduciary duty to my shareholders." That basically means, "Don't talk to me about anything else. This is the only thing that matters."

It's intended as a conversation stopper. What I'm trying to say is it's really a bias. It says, "Creating more wealth for the wealthy is the only thing that matters. Nothing else matters." It's embedded in the operating system of the economy. Let me give another example, and that's materiality. These terms, they sound boring, they sound technical, but that's part of their superpower, because we're taught, "Well, it's just technical stuff."

Materiality, this is a rule of accounting in finance and of corporations both. What you're taught and what the law professors will very sternly warn you, is that you have a sacred duty to take care of capital. A fiduciary duty to take care of capital, and you have to report anything that's material to investors. We might remember the woman who went to prison because she lied to her investors about.

Maureen Conway (00:24:30)

Oh, Theranos.

Marjorie Kelly (00:24:31)

Is it Theranos?

Maureen Conway (00:24:31)

Yeah.

Marjorie Kelly (00:24:32)

Yeah. She was creating a new product and she pretended that it was working, it was a blood testing device, and it didn't work. She went to prison because she lied to investors. Anything she needed to report to investors, "Well, by the way, our product doesn't work." Or if you have a lawsuit pending, you have to report that to your investors. It makes sense, right? Material means corporeal, it means physical.

If I kick this podium, it will hurt my foot. That's material. But in the funny, upside-down world of financial accounting, what's material is what affects the ethereal numbers that affect shareholders. It affects share price, then it's material. But if it's the physical earth, if it's degraded water systems, if its people are thrown out of jobs and their families are ruined maybe for generations, not material.

None of that's material unless it affects capital. I say it's a perfect tautology of capital bias. If it matters, if it affects capital, it's real, it's material. If it affects anybody else, uh-huh, it's not material, it's not real. This

is a formal principle of accounting. Those are just some examples of how the bias is hidden in the norms of the system.

Maureen Conway (00:25:59)

Yeah. No, and like you say, there are people working on changing this in terms of improving reporting about various things about environmental outcomes and those kinds of things.

But these are the things that typically are not. If it's not material to capital, we just don't have to talk about it.

Marjorie Kelly (00:26:16)

Right, right

Maureen Conway (00:26:19)

Yeah. Let's also just talk about, well, what does that end up meaning? Because I feel like it's also gotten to the point where we just accept that, "Okay, so this is good business. That's what you do to run a good business." The result might be that students have a lot of debt or people have mortgages they can't afford.

They lose their homes, but it's just business. Maybe talk a little bit about what we've come to accept, how this financialization of the economy has actually affected people's lives and what we've just come to accept about it.

Marjorie Kelly (00:27:05)

Yeah, this is good. We've been writing about this at The Democracy Collaborative where I'm a fellow. There's a phenomenon that economists have actually warned us about literally for decades. It's called financialization. I think of financialization as a problem as large as climate change. You might remember Al Gore's movie, *An Inconvenient Truth*, and he had run around with his PowerPoint for many, many years.

There were all these complicated charts about how too much carbon emissions, and it creates a greenhouse effect and blah, blah, blah. It was very, very frightening, but it was very technical at first. I think that climate scientists had known about it long before it showed up in the public. I think something similar needs to happen with financialization.

Financialization means there's too much financial wealth in the world. Now, that blows our mind because we think of financial wealth as good. How can you have too much of it? But you can, and it's similar to carbon because in the aggregate is when it becomes a problem. Those of us who are lucky enough to have a little bit of an investment portfolio, you get your statement, and you see the numbers have gone up and you wish they went up more.

That's normal. In the same way that when you want to set your thermostat where you want to set it, and you want to drive your car as much as you want to drive it. But when we do these things as individuals in the aggregate, an effect that is counterintuitive, wasn't what we intended. This has happened with financialization. When there's too much financial wealth in the world, what that means is you're shifting income.

For example, corporations shifting in from capital to labor when they send jobs overseas. When they take part-time jobs and make that the norm, instead of having a full-time job. 40% of jobs are now part-time, contingent, insecure, gig, gig subcontract of various kinds. We don't even keep the score. This was a survey that the federal government did a number of years ago, and they don't even do it every year. A lot of jobs are now insecure.

That's one of the results of financialization because we've been shifting more and more to capital, more and more to financial assets. We talk about CEO pay being a problem. Well, CEO pay is about 95% of stock options, so they only get paid the big bucks if they get their share price up. Rising portfolios of the wealthy also means rising debt for other people, so government, individuals.

Families are swimming in debt, college debt, mortgage debt, healthcare debt. When there's too much money in too few hands, they're out there bidding on houses. Houses have become a new financial asset, and that drives up the price of housing so the rest of us can't afford to buy houses. Young people can't get good jobs because the jobs have been sent overseas or turned into part-time jobs.

There are all these effects that show up in the system when you have this aggregate level of financial wealth. This is one of the key things that we need to start talking about.

Maureen Conway (00:30:48)

Yeah. Do you remember the statistic, because I don't remember it in the book, but how much financial assets versus GDP?

Marjorie Kelly (00:30:56)

Oh, right, right. Yeah. When I was a kid in the 1950s, financial assets as a whole were roughly equal to GDP. GDP, gross domestic product, that just means all the flows of income and spending. You get a paycheck, you spend it, that's GDP. That's a flow of income and spending. But on top of that, there's really a sphere of financial assets, and that's business equity, bonds, it's other forms of debt.

When you look at all these assets in aggregate, they used to be equal to GDP. Now financial assets are five times GDP, five times, and yet the system tells us financial assets have to grow every quarter, every year into infinity, and they have to grow faster than GDP. What it means is they're sucking more and more income out of the real economy of jobs and spending and sending it up into the sphere of the wealthy. Yeah, too much financial assets, it harms us.

Maureen Conway (00:32:08)

Yeah. No, I thought that was so interesting because you talked about how all of those financial assets really represent a claim on something that's in the real world.

But now they're five times larger than what's in the real world. You start to really get a feel for the instability of that kind of a system.

Marjorie Kelly (00:32:27)

Right, right.

Maureen Conway (00:32:29)

Yeah. I think about financier as a word that comes from the French of pre-revolutionary France. It was the financier supporting the Sun King there, Louis XIV.

I think about before in the late 1800s and going into the early 1900s, and before the Great Depression, the US was very unequal, but also very unstable economy.

Very big booms and busts. I think this is what happens when you have so much concentrated financial assets. To your Inconvenient Truth movie about it, the consequences can be terrible.

Marjorie Kelly (00:33:17)

They can be huge, and we tend not to trace them back.

Maureen Conway (00:33:21)

Right.

Marjorie Kelly (00:33:21)

I think it's taken a while for journalists to catch up with climate change. Now, when you see a hurricane, or you hear about a dam that's broken or flooding.

Down in paragraph three, it'll say, "Well, this flooding, this fire is likely related to climate change." We're starting to connect the dots. We should do that with financialization, when we see massive layoffs or two thirds [inaudible 00:33:49].

Maureen Conway (00:33:48)

Student debt crisis.

Marjorie Kelly (00:33:49)

Student debt crisis, this is related to financialization. That's the kind of knowledge that we need.

We need to understand this is a large process that's working against us, and we need to start connecting the dots.

Maureen Conway (00:34:03)

Yeah. Can you also talk a little bit, because I think you do touch on this intersection? You call it wealth bias or capital bias.

We think of all kinds of biases in our society, but maybe you could talk about the intersection of wealth bias and racial bias and that kind of thing?

Marjorie Kelly (00:34:23)

Yeah. Yeah, that's a really important one. Thanks for bringing that up. A lot of wealth in our society originally came from extraction from people of color all over the world. It happened in this country through slavery and through redlining. The Tulsa massacre, some Black families started to get a little bit of wealth. Then what they have is torn down.

This happened worldwide with imperialism where nations of color, particularly in Africa, were considered the overseas possessions of European countries. This property, I think people of color understand better than anyone, that property is a weapon. We're taught that property is sacred and needs to be protected, and it does to a certain extent, but it's also a weapon that can be used against people.

A lot of wealth came initially from extraction from people of color. Now, so one of the things I say in the book is that racial discrimination or we'll say racial bias, inflicts harm across generations. There are families who don't own houses today and haven't had that run up of wealth that housing has permitted for white families. It inflicts harm across generations so racial bias continues.

Capital bias accelerates because the more financial wealth there is, even more is needed next year. There's this huge sphere of financial wealth, but it needs to keep growing. It's going to extract even more in the future. That's why it's trying to financialize water. It's trying to financialize coral reefs and forests. It'll grab anything it can because it's this force that wants to grow exponentially.

The first rule of the system is no amount of wealth is ever enough. That's the essential norm around which the whole system is built, and it's built into investment, it's built into corporations. You buy stock, you want it to go up. You want that company to get bigger and bigger and bigger. This growth imperative is built in. What do we do about that? Well, we have to forefront racial equity.

Accounting for debts is essential to any successful economy. There's a huge debt that's owed to people of color, and I think reparations is needed. But if you only focus on racial equity, what we're doing is we're leaving this extractive system intact to keep running. It's going to extract from all of us, including people of color, who are going to be hit first and hardest as always.

But it's now extracting from the environment, it's extracting from working people of all colors. You need to look at both, and this can sound like pie in the sky, but here's an example. At The Democracy Collaborative, we helped build the Evergreen Cooperatives in Cleveland. They're in an inner city that's predominantly people of color.

We worked with large anchor institutions like Cleveland Clinic and other university hospitals, to bring their laundry to this commercial laundry that's owned by workers. Initially, 60% of the workers were formerly incarcerated. That was a deliberate hiring decision. We're going to empower workers through worker ownership. We're going to forefront people of color in that.

By the way, we're going to power this company through anchor institution contracts and it's successful. There's a couple of hundred workers who now own this company doing commercial laundry for the Cleveland Clinic. The steps that we take, the models that we build, are very down to earth and they work. But understanding the big problem, I think, helps us understand the nature of the solutions.

Maureen Conway (00:38:52)

Yeah, great. That was what I was going to go to next, because I think there is this, it doesn't have to be this way. I think it's funny when you talk about things and we talk about financialization and this kind of thing, you get them, "So what do you want, public ownership like communism, whatever?" It's like, "Well, no, that's not what I'm saying."

I think it's like we want to make free markets actually free. Free of wealth bias and make them work for all the market actors, not just some of them. Let's talk a little bit about some of these examples that you've seen. You just talked about that. You've talked about management and other places around the world that we see these kinds of systems. Talk a little bit about a few examples of how it actually can be otherwise.

Marjorie Kelly (00:39:47)

Yeah. Well, one of the things we need is a great ownership transition. We can't have the 1% owning everything. That includes giving people a chance to own their own homes free of debt, if we can imagine such a thing. It means people need to own their workplaces. We need a big movement for worker ownership. Maureen, you've worked on a lot of great work on that.

We helped, some colleagues of mine helped design the Fund for Employee Ownership at the Evergreen Cooperatives in Cleveland using investor capital, buying companies, converting them to employee ownership. Workers are the owners in the end, and there's money to be made for investors without having to own everything. We do need public ownership.

I think that's part of the equation, land and water. I have a colleague who's working on public ownership of pharmaceuticals. California is now starting to manufacture their own insulin because it's too expensive. I think we do need more public ownership and we need to begin to think, "Well, where does that make sense?" Water is an obvious one.

We also need to work our ownership in various forms of trust ownership and collaborative ownership. Then we also need what I call the next system of capital. One of the things I did, one of the fun things about writing the book is I said, "Well, okay, so could you still have a modern, sophisticated financial system in the democratic economy? What would that look like?"

I did a gathering about a year ago. I gathered 15 experts who are working in different aspects of, you could call it, democratic finance. We came up with a series of pathways that, I think, pretty much add up to a next system of capital. One of the things we need is debt forgiveness. If you're going to have all these overblown financial assets and a lot of its debt, you need to have mechanisms for forgiving debt.

Biden was doing this with education debt. He also did it with debt for Black farmers, which then people took him to court and alleged racism, which of course, was not what was going on. Debt forgiveness, and I talk, for example, about debt for nature swaps. There were several hundred million in Belize. A lot of these developing nations are burdened with debt right now.

There's a debt crisis. Well, they can write down, I think this was about a 50% write down. In other words, you forgive half the debt. In return, Belize said, "We're going to preserve forests. We're going to preserve mango groves. We're going to preserve all kinds of ecosystems." That's very different from the natural asset companies where you want Wall Street owning ecosystem services.

Now these are trusts and preserved areas. Basically, you're writing down some assets and in return, you're preserving the natural world. That's a really great example, I think, of how we can begin to get

beyond all this debt. I will add that Germany at the end of World War II, was swimming in debt and through currency reform, there was a massive writedown of about 90% of their debt.

That turned Germany into the powerhouse that it is today. There's a long history, a successful history of debt forgiveness, and it needs to become mentionable. The right wing is horrified that any debt would be forgiven, but it needs to become a mentionable solution. Let me add another one. As you want to write down some of this debt, we also want to build up the assets of those who don't have assets.

One of the people we brought to our gathering was talking about baby bonds. Baby bonds, every young person ought to have a few assets starting out in this world, and let's create bonds that will give these assets. If you do it by income or by wealth, then you sidestep some of the problems of racial discrimination, which people are going to scream about. But you can achieve the same result by looking at the wealth deficit.

Baby bonds, that's another example. There's a bunch of examples that we looked at, local investing, impact investing. I'm convinced now that we actually could have a modern, sophisticated financial system in a democratic economy that's designed to serve us, rather than extract from us.

Maureen Conway (00:44:46)

Yeah, great. I'm going to ask you one more question but I really do want to get to audience questions, so please be thinking of them and online as well. I'm interested in this idea, you talk about community wealth building.

I have wonderful colleagues in our Community Strategies Group: Chris Estes, Bonita Roberts, my former colleague, Janet Topolsky, all did lots of great work on this issue of community wealth building.

I'm really thinking about, I'm just wondering if there is a place that stands out for you, as a model of this or something for people to think about, in thinking about how this makes a difference in a community and how a community lives?

Marjorie Kelly (00:45:32)

Yeah, that's great. That's great. Our organization, The Democracy Collaborative, devised this term community wealth building back in 2005, and it's about local economic development that's about building assets. It's about transforming communities by having them own and control their own assets. One of the most exciting places... I work with a couple of colleagues who are doing this around the US and around the world, and in some very exciting ways.

One of the places that has done this is Preston, England, and this is a Rust Belt city. It was very broken down and they took on the city council. Got excited about community wealth building and said, "This is how we're going to do economic development." They had all of their anchor institutions, including the schools and the police, the university, sign a pledge.

We're going to invest locally, we're going to hire locally, we're going to buy locally. All of a sudden, hundreds of millions of dollars that have been spent outside the community, it was now being spent inside the community. They also said, "We're going to build worker-owned firms." There are a number of processes. You want to look at land, you want to look at housing, all of these things you want to have as community assets.

They actually moved the needle on poverty and unemployment in Preston. Preston has recently been named the best place to raise a family in the UK. By community wealth building as an economic

development form, they actually moved the needle in this community, so it's very exciting. My colleagues now have more work than they can do. People coming at us wanting to do community wealth building because mayors, city councils know their communities are in trouble.

They're looking for something different, and this is a form of economic development that works and is starting to catch on, I'm happy to say.

Maureen Conway (00:47:30)

Yeah, great. Great, would love to hear if there's questions in the audience or online.

KyungSun (00:47:37)

Hi, my name is KyungSun, I use she/her pronouns. I'm with the Economic Security Project. Thank you so much for sharing what you shared. One of the questions that I have is when we talk about the big forces that are driving wealth extraction, a lot of the times we know we're talking about the big corporations, big pharma, big food, et cetera.

I find that along with that analysis, we start having these narratives as advocates of stop private, do more public. In that conversation, I feel like we lose the small business community. I'd love to hear more of your thoughts about, especially coming from Missouri, oftentimes our small business owners are also our local legislators or our state legislators.

Would be curious to hear your thoughts about how we bring them into the conversations around wealth extraction, other forms of community wealth building, that also makes them feel like they have a role in this process?

Marjorie Kelly (00:48:33)

That's great. Thanks for that. I am from Missouri, from Columbia, Missouri, and thanks for noticing that. Yeah, I'm a huge advocate of small business and family-owned businesses. One of the things I talk about in the book, is how there's a conveyor belt always functioning. Very few family businesses make it to the second or third generation as a family business.

You sell to a multinational, you sell to a competitor, so we're always losing our businesses into this conveyor belt of ownership by big capital. I would love to see family businesses supported or able to sell to other local buyers or sell to workers. There's a movement, and Maureen's been helping to lead this, to have financing to sell to workers.

That's a built-in buyer for your business, and it's a way to preserve that business locally, and you're not going to lose jobs and so on. Yes, I think that small business and family businesses are our allies, and we need to distinguish. I make a distinction in the book between businesses that are profit making and those that are profit maximizing. It's like the difference between being a social drinker and an alcoholic.

I ran a small business for 20 years. You've got to have more money coming in than going out, that's true. That doesn't mean you have to make every dime off every back that you can. We're hoodwinked if we think that profit maximizing is a requirement. It's not. I think family businesses know that. Yeah. I think small business, family businesses, they're being taken advantage of by Amazon, which takes 34% of every sale.

Now you tell me, it doesn't take that much money to run that platform, so there's a lot of gouging going on. I think those are our allies and I'd love to see us support them more. One of the odd things, well, two odd things. Number one, banks don't serve small and medium-sized businesses, because there used to be thousands of community-owned banks in this country, and they all got rolled up into Bank of America and Citigroup.

Now we don't have the local banks that we used to have. You have these distant headquarters; they don't lend to local businesses. Local businesses have a hard time getting bank lending. Also, it's almost impossible to invest in businesses next door. Probably almost all of us are invested in Amazon without knowing it, because they're in the index funds that we're in.

But can we invest in a business next door? No, we can't because we haven't built the roads to do so, and we need to do that.

Maureen Conway (00:51:29)

Yeah. I also appreciate you bringing up that the small business owners are often your legislators and that sort of thing. I do think I have been doing a lot of work on employee ownership and building that in. I will say in conversations that we've had on the Hill and everything else, it's a very bipartisan support for that strategy.

I think a lot of people see that as resonant with their values of responsibility, of fairness, of valuing entrepreneurs, entrepreneurship and that sort of thing. I think there's a lot to think about in trying to engage the small business community in this question, so thank you for that. Yeah.

Matt Helmer (00:52:12)

Just stay seated. You can stay seated because it'll interfere with the mic.

Speaker 5 (00:52:16)

Say what?

Matt Helmer (00:52:17)

You can stay seated for the next question.

Speaker 5 (00:52:18)

Oh, okay. Thanks.

Matt (00:52:18)

Okay.

Speaker 5 (00:52:20)

I got to get my proper instructions here. First of all, I think the origin of all wealth is human labor. Otherwise, wealth doesn't fall from the sky. Those forests you described in someplace or other, they're

not worth anything until someone cuts down the trees, adds fertilizer to them, or changed them into lumber, et cetera, et cetera. All wealth is a product of human labor.

The fact that some people are able to exploit other people, they accumulate more wealth. The bigger people like Jeff Bezos, they have a lot of people to exploit, and they become very wealthy. The small businessman, he only has a few people working for him, so he becomes a little wealthy. But the bottom line is this inequality persists because of the way the system is organized.

It seems unless you take a different system, which does away with the idea of commodity production, producing things and making things to make more money, exploiting labor, you're not going to solve this problem. We've seen it go on, this has been going on for hundreds of years. Thomas Penny wrote a book a couple years ago, how the people with money continue to make more money and workers continue to get poor.

The more wealth you have at the top, the more poor people you have at the bottom. Until you eliminate that very system, I don't see how you're going to make any fundamental changes. It's the whole capitalist system that creates these problems, unless we're going to break with that and go to a different system, which production is based on need rather than on profit, I don't see a way out.

Marjorie Kelly (00:53:56)

My wife the other day picked up Karl Marx, Capital. Oh, I've read Marx. He says exactly that, "All wealth is theft and comes from labor." I don't want to get into that argument. Of course, Marx was a brilliant analyst and has a lot to teach us. But what I like to talk about is a democratic economy.

I think that's designed for all of us. I think a lot of families want to have a few assets, and I don't think that's a bad thing. But I think there's a way that when assets are held broadly and we have a right to the wealth that we create, that's when you start to have the kind of economy that I think can work for all of us. Thank you for your remarks.

Maureen Conway (00:54:49)

Yeah.

Dr. Alexander (00:54:56)

Thank you so much. Dr. Alexander, Institute for Academic Management. I'm totally thrilled with your presentation. I've not read your book. I can't wait to read your book because there's a lot of England in there so that's fabulous. Which brings to my mind in coming to the US and studying as a foundation in the UK, why we don't see more community wealth building, why we don't see more academics to apprenticeships, to entrepreneurs...why we find that in poorer communities, the money doesn't stay in the communities. It goes outside of the communities, where in some communities, it does stay in the communities and that's what generates wealth building. In not reading your book, I don't know where education and the education system falls.

If you could answer, where are we missing the mark? I'm about to launch an academy just for that, because that's a way to generate generational wealth per se, and then to go into homeownership and other aspects. But the apprenticeship to entrepreneurship, you can't go wrong with it. I'm sure Preston did a great job with that as well.

Marjorie Kelly (00:56:00)

Yeah. Thank you for your remarks. I love your accent. It's very lilting. It's lovely to listen to. I think education is critical because as I said, the mind that this system arises from, is the critical point of intervention. I think helping young people or learners of all ages, that there is another way to do things. One of the pieces of work I'm most proud of that I've done over the years, is I worked with a woman who did a Lakota translation of community wealth building.

She took the community wealth building framework, she was Native American, she was Lakota, and began talking with women. They realized this is exactly what had happened in Native American reservations, that the wealth had been extracted from their reservations. She began to say, "Well, if we're going to have economic development, let's not bring in some white-owned business. Let's have a native-owned business."

She began to permeate this mindset there on the reservation, and she helped start a cooperative of women quilters. I was happy to say I bought one of their quilts. It doesn't exist anymore, I'm sorry to say. A cooperative ownership model doesn't necessarily make a successful business all by itself. But anyway, yes, I think translating community wealth building into different cultural contexts is critical.

I'd love to see that happen, you said in your community, because I think that this process has happened all over the world, to communities all over the world. Community wealth building is how we can begin to take back economic power in a way that works and education's critical, so thank you.

We can go to an online question.

Maureen Conway (00:57:59)

Sure.

Matt Helmer (00:58:00)

I'm going to combine a few online questions here. In a world of antipathy, where do we start? Who are we trying to reach? What is the message?

How do we reach them? What are some of the key myths? Could you build a little bit more on the key myths that we need to dismantle?

Marjorie Kelly (00:58:16)

Yeah. The book has seven myths that I unpack. I talked about a couple here, fiduciary duty, materiality, there are others. Who are we trying to reach? One of the questions as I've been out talking, the book is just out today, but I've been doing a little bit of talking up till now. One of the questions that I often get is people go, "Well, what do you say to people who disagree with you or who are opposed to you?"

I say, "I don't think we start there." I remember back in the '70s when second-wave feminism came, you don't start a feminist revolution by arguing with your dad. He may be the one that needs to change, but that doesn't mean you start there. You start with each other. We talk to each other, we strengthen each other. We have the frames, we had the understanding of the knowledge together, and we have solidarity with each other.

I really think that the movement for system change needs that kind of solidarity. There's a lot of siloed work happening, but we don't recognize each other as colleagues in a similar movement. I think we

need to do that and that will strengthen all of our work. I think that's where we start. I think we start with talking with each other.

Maureen Conway (00:59:39)

Wow. We have a lot of questions now, so we'll just do maybe 1, 2, 3, and take them all at once and maybe get the gentleman back.

Speaker 7 (00:59:48)

Hi. I'm an urban planning student, so this'll shape my question a little bit. You talk about community-owned and that kind of thing. I was wondering if you'd done any work or if you've seen any work that is done where maybe not a governmental structure owns an asset, like actual land or buildings and that kind of thing?

But there's an alternate organization that owns it in trust for the community, so that rents and other things go back into the community, as opposed to just a business structure where you have workers and they own and that kind of thing?

Maureen Conway (01:00:35)

Okay. I'm going to hold this. Alternate ownership, I know the answer is yes, and you can talk about that.

Speaker 8 (01:00:41)

Yeah. First of all, thank you very much for your sharing. I'm just wondering, you talked about how financial assets have expanded exponentially over the last decades.

At the same time, we are seeing governments cutting spending in local communities and even governments going bankrupt like Birmingham recently did.

What do you think the government can do more to ensure or to make the wealth that these big corps extracted from the community and bring that wealth, bring it back into the community and back to citizens' hands?

Maureen Conway (01:01:25)

Great. I'm going to stop you with at a time of financial abundance, why do governments have no money?

Speaker 9 (01:01:35)

First of all, thank you. I guess as a person trained in the social sciences, I'm thinking that part of the solution is to look to the social sciences and to fundamentally put the human being back at the center, because I'm just going to use one example.

Let's say many of the countries in the Global South that ask for advice from the multilateral lenders, the first thing they tell them is to sell your minerals to the rest of the world.

Marjorie Kelly (01:02:13)

Right.

Speaker 9 (01:02:13)

Which of course, pollutes the environment, lowers life expectancy and a number of other horrible things. There's no long-term thinking, and the human being is left out of the equation.

Marjorie Kelly (01:02:27)

Yeah. I think it's absolutely right.

Maureen Conway (01:02:28)

Okay. Now you can answer all three, because we don't have very much time.

Marjorie Kelly (01:02:32)

Yes, human beings need to come back in the equation and all of us matter. An economy exists for all of us. It doesn't exist just for corporations and for capital. That's what the free trade regime has sold us basically, is corporations and capital have power and nobody else does. You're right, and I think the social sciences are critical. Values are at the heart of this, and we can bring values into our economy.

We're taught that values don't matter, but really the only value that matters is financial wealth. That's the one value that the system values. We're saying, "No, actually there are other things we care about, like life and the planet and people." Thank you for that. A quick question about the government not owning everything. I think you're absolutely right about that and there are models out there.

An example is community land trusts, where a nonprofit owns the land, it leases houses for 99 years, and then it keeps houses off the speculative market and keeps them affordable. Usually, you have community voices and the governance and so on. Yes, I think that the government can be a catalyst, and yet you can have other forms of ownership that are in charge. Trusts, there are a variety of models.

Thank you for that question. Then what was the other one? Oh, about the role of government. Yes, yes. Local governments are feeling austerity. What we're seeing with community wealth building, a number of communities we're working with is you have a variety of players. It's not just the government. You want government at the table, but you want CDFIs, community development financial institutions.

You want other forms of nonprofits at the table too working together, so you have communities working to build community wealth. At the federal level, I want to give a shout-out to Elizabeth Warren, who's my senator from Massachusetts, who happened to be on the plane when I was coming in from Boston so that was a treat. She is one of the smartest, I think, federal legislators about this.

She has said, for example, the Accountable Capitalism Act. She's floated that says, "Any company over a billion dollars in revenue needs a federal charter. They have to serve a variety of stakeholders." They have to become a B corporation essentially, not just serving stockholders, and 40% of board seats should go to workers. I love that. It's an example of how corporations need to evolve.

They can't just be serving shareholders. That's just silly given the emergency that we're in right now. That's one piece. She's also talked about reigning in private equity, which we won't get into, but I'll tell you, the

game for investors is no longer in the public stock market. It's in private equity, which has swelled from one to 10 trillion, and it's not accountable, it's not transparent.

She has voted legislation to reign in private equity. Those are some examples that need to happen that will help to spread the wealth and keep the wealth extraction from being so extreme.

Maureen Conway (01:05:43)

Great. Well, thank you very much. Really appreciate this. I think this is great. You did a good lightning round there, so I'm going to give you a round of applause.

Marjorie Kelly (01:05:51)

This was fun. Thank you. I enjoyed this. Good questions.

Maureen Conway (01:05:55)

Yeah. Yeah. Hopefully, everyone will keep talking about this and thinking about this. I do think it's important to ask questions and to feel like you can.

Thank you all for coming, I really appreciate everybody's engagement today. I'm going to turn it over now to Matt for the grand prize drawing.

Matt Helmer (01:06:18)

We drew three names for the book. If your name is Lydia Mah, Hassan Tyler and Angela Christian, you can see us outside and get a book.

Maureen Conway (01:06:26)

Congratulations!

Marjorie Kelly (01:06:27)

Nice.

Matt (01:06:29)

Marjorie will be outside here, willing to sign.

Marjorie Kelly (01:06:32)

Happy to sign books. Thanks, everyone. This was fun.

Maureen Conway (01:06:33)

Thank you.