

America Emerging Western Civilization 2.0

presented by
Otto Scharmer



Thirty-Third Annual E. F. Schumacher Lectures
November 2013, New York City

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Schumacher Center for a New Economics

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Introduction by Judy Wicks
author, founder of BALLE,
Schumacher Center board of directors

America Emerging: Western Civilization 2.0
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Edited by Hildegard Hannum

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Schumacher Center for a New Economics
140 Jug End Road
Great Barrington, MA 01230
(413) 528-1737
www.centerforneweconomics.org

Thank you to Susan Witt and the Schumacher Center for bringing us all here today as we re-imagine the American economy. The Schumacher people have come down from the hills! We're here to change the American economy—and the global one too—because the old one doesn't work for us. It has become too centralized and too top-heavy—and doesn't *that* sound like the Soviets?—so we're going to decentralize. We're going to create more owners, more small-business owners, retailers, manufacturers, distributors, more worker owners, more artist owners, more public owners of our commons. It's going to be more fair, more green, and more fun too. And we've got our own money: BerkShares local currency!

Place is a concept of great meaning to the Schumacher community. And the place where we are this morning is an island. It's a place that was once called Mannahatta by the Native American people, which means the island of many hills. Today, Manhattan is one of the five boroughs

that make up New York City. Once strong in its natural diversity, New York City now finds character and strength in its cultural diversity. It has been described as a cultural center of the world, and it's also the financial center of the global economy. What better place to explore a new American culture based on the values of cooperation, generosity, and harmony with our natural world as exemplified by the First People. And as we sit on the brink of environmental disaster and the social disaster of rising inequality, what better time and place to be reimagining a new American economy that works for all?

As the speakers of the first Schumacher Lectures in 1981 articulated, we envision this new economy as a network of vibrant regional economies, comprised of locally owned, human-scale businesses, committed to the health and well-being of their communities and their eco-systems. These regional economies fill basic needs locally—food, energy, clothing, building materials—bringing economic power to our communities, spreading business ownership and wealth more broadly and fairly. We envision a global economy as an intricate network of small fair-trade relationships, trading what we have in surplus for what we can't produce locally and exchanging what is unique to our region, be it a fashion design, fine wine or cheese, artwork, music, an entrepreneurial invention, or any of the other things that celebrate what it is to be human.

Otto will be speaking first. I met Otto by phone when he called me some five years ago while doing research for his book, *Leading from the Emerging Future*. In the book he talks about the importance of moving from *ego*-system awareness, concerned only with benefitting oneself, to

eco-system awareness, concerned with benefitting all, including oneself—or simply put, moving from me to we. Otto included in his book my own story of moving from me to we, a story in which I made the decision to share my farm-supply sources with my competitors in order to build a whole local food economy that represented my values. Otto beautifully articulates this concept of cooperation and sharing, which is fundamental to building the new economy we envision. His best-selling books, *Theory U* and *Presence*, explain the concept of presencing, learning from the future as it is emerging. When I think of Otto, I think of his concept of bringing into being a new mind that makes transformational change possible.

Otto is a senior lecturer at MIT, chair of the MIT IDEAS program, and the founding chair of the Presencing Institute, which offers training and research sessions for executives and activists on how to develop the consciousness needed to advance the transformation of our economy. He helps groups of diverse stakeholders from business, government, and civil society to innovate at the level of the whole system. He also co-founded the Global Wellbeing and Gross National Happiness Lab, which links innovators from Bhutan, Brazil, Europe, and the United States in order to evolve beyond Gross Domestic Product.

Michelle Long, the executive director of BALLE, was a participant in one of Otto's programs, traveling with his group to Bhutan and elsewhere, and here is what Michelle said:

"I admire Otto's ability to speak with great academic rigor about the deepest, most important ideas, those that have been historically in the realm of the mystics. He can

meet with the big bankers of Europe or Chinese government leaders and with great clarity say that the most important leadership capacity of our times is in essence about recognizing our interdependence.”

Please join me in welcoming the me-to-we guy, Otto Scharmer.

(The following text is a revised version of the lecture delivered on November 9, 2013).

Thank you Judy, thank you Dan, thank you Susan, and everyone else who contributed to this event and series. I’m humbled by being part of it, and I would like to share a little bit from my own experience of contributing to what we all care about, as Judy so beautifully articulated. I’ll begin with the observation that if you talk about our having entered a time of crisis and disruption—not only economically but also in terms of our civilization—you hardly ever come across anyone who disputes this starting point. We may have different views on some of the deeper root issues, on what needs to change or not, on what we see emerging. But I find it interesting that when I work with people across systems, sectors, and cultures, whether at the very top or at the grassroots level, there is a shared sense of living in an historic period of disruption: something is ending that we all can pretty much describe in similar ways, and something else is beginning to emerge that we cannot yet fully wrap our arms around. This sense is widespread, and we almost take it for granted now, but let’s not forget that if I had said the same thing fifteen or twenty years ago, many folks would have challenged me. No longer. Now it’s obvious. The question is, *what are we going to do about it?*

It is a necessary first step to describe the surface symptoms of the current crisis we are in, but beyond that, what are the root issues, the root causes?

The Blind Spots of Economic Thought

I would say that probably the most important root cause starts right between our ears. It starts with our own thinking, in particular with our outdated paradigms of economic thought that have lost touch with the reality around us. I believe there are two major blind spots in the current paradigm of economic thought. One is externalities, and the other is consciousness. At the root of our current economic transformation I see a shift underway from an old paradigm of economic thought that revolves around *ego*-system awareness to a new paradigm that revolves around *eco*-system awareness, by which I mean focusing on a compassion-based well-being of all, the well-being of the whole. It is surprising that this isn't playing a role in mainstream economics, because in any kind of change project a company's leaders and managers usually try to guide their stakeholder attitudes away from single-sided ego-centrism to a more balanced eco-centrism—that is, to an awareness that centers on the well-being not only of themselves but also of their partners in the system they are operating in. It's common sense. It's something that happens in organizations every day. I'm not talking about a utopia, I'm not talking about tomorrow. It's already here. The global economy, with all its interdependencies, is already operating on an eco-system level; it's just that our thinking hasn't caught up with that level of complexity. Where I try to make my contribution is in helping to open up our thinking, particularly our economic thinking, to the complexity and the interdependency that we are already dealing with in the real world.

I came from Europe to the United States some nineteen years ago, and even then I was concerned with some of these questions. I had just written my Ph.D. thesis on something like “Reflexive Modernization of Capitalism as Revolution from Within.” No one understood that! And I realized that I could *talk* about such topics, but was I creating something of value for others who were actually doing this kind of work? Not at all. So I came to this country to learn to be more useful as a researcher, and I joined the MIT Learning Center, where Peter Senge, Edgar Schein, Bill Isaacs, and others were bringing together creative thinkers and practitioners in a highly practical way. They were dealing mostly with companies, in order to learn by doing how to create innovative infrastructures for organizations and larger systems.

Two Sources of Learning

Today, when I look back and ask myself what I have found out about organizational learning in social systems, I realize that one key insight I gained is that there are *two sources of learning*: learning from the *past* and learning from the *emerging future*. All major existing models, theories, and best practices of organizational learning are based on learning from the past, learning by reflecting on the experiences of the past. Yet through working with NGOs, communities, companies, and governments, I discovered that over the past fifteen years leaders who face disruptive changes have found that learning from the past is not good enough for coming up with appropriate responses to the situation. This observation prompted a question in

my mind. Is there a second source of learning: not learning by reflecting on the past but learning by sensing and actualizing emerging future possibilities—*learning from the future as it emerges*? My search for an answer has been the motivating force behind my action research work for the past fifteen plus years.

One way of investigating this question has been through a study conducted with 150 profound innovators in science, business, and society. Listening to these change-makers and their stories made me realize that the way these people work is not simply by learning from the past; instead, they all seem to activate a second means of learning that connects them to their deeper sources of creativity—that is, to their capacity for intuiting and then actualizing emerging future possibilities. These observations together with the question of how to sense and actualize the emerging future became the focus for my work.

Here is how I *experienced* this deeper process of learning in my own life. I grew up near Hamburg. My parents, who were among the pioneers of biodynamic farming in Germany, switched to organic methods over 55 years ago. My thinking can be traced back to what I saw them doing. I gained probably 90% of my inspiration from the way my parents cultivated the land. I tried to apply in the social field, in a stumbling kind of way, what I saw them doing as farmers. They cultivated the agricultural field, I try to cultivate the social field—the sum total of economic, social, and cultural relationships in any kind of system.

We lived in a 250-year-old farmhouse. Every morning my siblings and I would go to school in Hamburg by train. One day in the late 1970s, when I was sixteen, I was

called out of class by the principal during the last hour, and for no obvious reason she told me to take my bag and go home, which struck me as odd. I noticed that her eyes were red as if she had just been crying. I went to the train station and called home, but the line was dead. I boarded the train and when I reached my destination an hour later, no one was there to pick me up, and there was no bus. For the first time in my life I took a taxi for the 8 km to the farm. Halfway home I saw the smoke. The sky was black with it, and smoke was rising from the place where the farm used to be. For the last kilometer the long driveway to the farm was blocked by firefighters and hundreds of people. I remember running past those people and coming to stop right in front of the fireplace.

As I stood there, I realized that my mind was unable to believe what my eyes were telling me: that the world I had been living in up to that point had vanished, gone up in flames. All that was left was a gigantic heap of burning rubble. As that image slowly started to penetrate my mind, I realized how much my sense of who I was had been linked to that world which now no longer existed. I felt as though someone was pulling the ground from under my feet, causing me to drop into a space of nothingness. When I plunged into that nothingness, I noticed that nevertheless a tiny part of my self still existed, someone who was watching all this right now and taking it in. That self-observing awareness in the back of my mind suddenly made me feel that time was slowing down and I was being elevated upwards, being drawn to something that wasn't my old self and wasn't the stuff that had gone up in flames but was related to a

future that I might possibly turn into reality. It wasn't like a tangible part of myself but somehow had to do with a feeling of possibility. I had a sense of light and energy, which took me totally by surprise because I had no idea that in addition to a tangible self there's another space of possibility for the self.

The next morning my grandfather, who was 87 and in the final week of his life, came for what would be his last visit to the farm. Someone drove him there, and when he got out of the car, he went straight up to my father, who was doing cleanup work. As you probably know, it takes a couple of days to put out a really big fire, so it was still burning here and there. My grandfather didn't even turn his head toward where he had spent much of his life; he just took my father's hand, looked at him, and said: "Kopfhoch, mein Junge. Blick nach vorn." ("Head high, my boy. Look forward."). They exchanged a few words, then he turned and left. You're in the final week of your life, and much of what you had done throughout your life just went up in smoke, yet you make the conscious choice *not* to direct your attention toward the loss but to turn to the horizon of new possibility. That attitude had a deep impact on me. It was many years later, when I had moved from Germany to MIT and was working on learning from the future instead of from the past, that I started to do my best work. And it all was seeded in that moment of disruption and in seeing how my grandfather responded to it. So what I am trying to do today is develop methods and tools that connect us to these deeper levels of knowing and self—without a farmhouse going up in flames.

The American Dream—and Its Shadows

When I asked what the central topic of this day was to be, Susan Witt answered with the words, "America Awakening." I thought, What does that really mean? To me it means awakening to the American Dream but also to all that is not working in our society. Perhaps it also means a deepening of the American dream.

For me there are three main components of the American dream, all of which are threatened today. The first is *pursuit of happiness*. It is being able to do your own thing, which brought me and so many others to this country. I could do things here that I couldn't do in Europe. That's the first part, which is cultural. The second component is about democracy. The deep democratic aspirations that were born here and went around the world are still a defining and yet also a declining part of that dream. And third, massive economic growth and the belief in infinite growth shared by all mainstream economists today. That is the dream in three parts: the cultural, the political, the economic.

Civilizational crisis is the reality of our time, revealing three major shadow aspects of the American Dream that we need to consider. The first shadow concerns our economy. We are consuming 1.5 planets' worth of resources annually, which means the finite resources on planet Earth are in clear contradiction to the infinite growth imperative of the American Dream.

The second shadow concerns our democracy. We live in a world of organized irresponsibility, where small special-interest groups routinely hijack the political decision-making of this country. Too big to fail and too big

to jail are more and more synonymous terms for a development that has led political democracy, in this country and worldwide, into a state of collective paralysis, nowhere more evident than in Washington, DC.

The third shadow concerns our cultural life and well-being. In developed countries today, more Gross Domestic Product (GDP) does not translate into greater well-being. This has been shown many times over. The four letters ADHD, attention deficit hyperactivity disorder, summarize not only our current cultural condition but also a cultural crisis that is evident in our classrooms. We create classroom settings that put an ever growing number of our children into the ADHD category. In the United States 15% of high school students are diagnosed with ADHD, most of whom are medicated with Ritalin. According to physicians, this is “a disaster of dangerous proportions.”

The crisis of our time confronts us with these three shadows diminishing the American Dream: resource depletion, political paralysis, and cultural ADHD. What will it take to evolve the American Dream in ways that address and then transform these shadows?

The American Dream 2.0

As we move deeper into the current moment of disruption, we begin to see new patterns emerging all around us. These patterns have many faces, facets, and names. One of them is the inversion or flipping of the pyramid. Where do we see this?

Let me start with education and the so-called flipping of the classroom. At MIT an amazing revolution is underway.

With the edX online revolution taking place, many major universities are making curricula and certificates free for everyone. We used to have 9000 elite students. Now it will no longer be 9000; it's potentially billions of users, a massive increase and democratization of access to educational opportunities. With the flipped classroom—that is, with students watching the lectures at home and discussing them at school—there is the possibility of changing classroom environments into a more co-creative space. Of course, there is also the possibility that the online revolution is just making everything *worse* so that the quality, the deep learning spaces are disappearing. The flipped classroom nevertheless offers great possibilities. Just last week I was given the green light to create a Massive Open Online Course (MOOC) for MITx and edX. MOOC is designed to use the whole space of online learning, which so far has been used mainly for technical knowledge that prototypes a new learning environment to help change-makers transform business, society, and self. This course, dubbed U-Lab, will be launched in January 2015 and will be an example of education as global entrepreneurship and movement building.

What does this current global transformation, this flipping of the pyramid, look like in the case of democracy? It reinvents the older forms of democracy through new forms that are more direct, more distributed, and more dialogue oriented. I will not be more specific here because the main topic of our gathering is the economy.

How does the flipping of the pyramid affect the economic space, the most important sector in society today? One way of thinking about the current economic transformation is in terms of the following eight key categories

of economic thought: nature, labor, capital, technology, and management (which together form a modern production function) as well as consumption, coordination, and ownership. The problem with current economic thought is that these eight categories are based on a paradigmatic framework formed by *ego-system* awareness, yet global economic interdependence and reality are characterized by an *eco-system* connectivity. The number one challenge today is to reframe these key categories of economic thought from *ego-system* to *eco-system* awareness. This will require:

- reframing *nature* from a “fictitious commodity” (Polanyi) that we sell, use, and throw away to a place-based *eco-system* that we need to cultivate;
- reframing *labor* from a “fictitious commodity” to a human right to entrepreneurial and creative opportunity;
- reframing *capital* from a “fictitious commodity” that functions as extractive financial capital to intentional capital, with money being used to serve the real economy and the well-being of the whole;
- reframing *technology* from systems-centric, serving only elites, to human-centric and eco-centric (as described by Jeremy Rifkin in his *Third Industrial Revolution*);
- reframing *management* and leadership by individual leaders at the top of institutional hierarchies to a more collective and distributed approach, whereby leadership is thought of from a systems point of view as the capacity of a community to sense and shape its future;

- reframing *consumption* from consumerism—that is, from more and bigger are better—to collaborative, conscious consumption that opens the path to a sharing economy, which Juliette Schor and others have been promoting for many years;
- reframing *coordination* from being limited to the three old coordination mechanisms (hierarchy, competition, and organized interest groups) to collective innovating around a fourth coordination mechanism that functions by connecting all key stakeholders and allowing them to see and act from a shared awareness of the whole.
- reframing *ownership* from being limited by the two old forms of state and private ownership to adding a third form, which is commons based, as Peter Barnes has described it in his *Capitalism 3.0*. This commons-based ownership replaces the quarterly perspective of the private sector and the four-year perspective of state ownership with a generational perspective that brings the stakeholders of the next generations into the conversation. It is an ownership form that is relevant to all the commons-based challenges and opportunities, which we must learn to organize around.

Instead of abstract interests negotiating with one another we need to have pre-market areas of collaboration, where we bring together the key stakeholders of a system—be it educational, health related, food, or energy—in order to help them see the system and innovate at the scale of the whole. Where do we find this today? Two areas I would

say are most visible. One is disaster response; for example, after a natural disaster people have to deal with a situation where no other mechanism is functioning, so they come together, share their assessment of the situation, and spontaneously coordinate on the basis of that shared perception of the whole. The other area where we see coordination through awareness-based collective action is in the local living economy movement. Why is the future showing up locally first? Because all eco-system problems are essentially commons problems. The local commons is right in your face; you see it, and it's very difficult to be in denial of it. The global commons you don't see, you don't smell, you can be ignorant of. That's why these new eco-system ways of organizing reveal themselves locally first, which makes the local economy a primary acupuncture point in transforming our current economic system.

Many of you are already working on these initiatives. I'm not saying anything new; I'm just pointing out what's already going on, and I'm saying, hey, this all belongs to the same bigger picture. Until recently many people in the new-economy movement tended to be single focused. For some it's all about slowing down the movement of money; for others it's all about a sharing economy; for a third group it's all about ownership of means of production while a fourth group is completely obsessed with technology, a fifth is convinced that the only issue that matters in the world is climate change, and so on. The point is that the transformation of capitalism is more than a single-issue item. To transform capitalism we as a movement have to concentrate *simultaneously* on a whole set of acupuncture points. This is why I listed the eight key categories of

economic thought, which, if reframed from an eco-system awareness, constitute eight acupuncture points for transforming capitalism, as my co-author Katrin Kaufer and I have been arguing in our most recent book.

We need a broadening and deepening of the economic-transformation discourse by bringing together change-makers across these systems to figure out, for instance, how we can create and measure new forms of economic progress beyond the Gross Domestic Product. We know GDP isn't useful for us, but what are the alternatives? At the Presencing Institute we set up a Global Well-Being and Gross National Happiness Lab, which is a platform that helps to connect the innovators across these sectors and acupuncture points. In her introduction Judy Wicks mentioned Michelle Long, who is one of those innovators. We invited change-makers from NGOs as well as from business and government organizations, both from Global North and Global South. We took deep-dive total immersion journeys to Brazil and Bhutan, looking at Gross National Happiness, at how it's being implemented and how alternative indicators of economic progress can redirect policy-making as well as economic progress itself. Then we said: Ok, you're all accomplished change-makers, now go and do your own thing. Take the best ideas you encountered or came up with together, and let's see you move into multi-local prototyping.

The participants, all in their own institutional context, are now driving innovation, based on ideas that were sparked or inspired through what they saw on their immersion journey. For example, a year ago there were only five states in the United States working on the Generating

Progress Indicator; today there are twenty, and some of the key drivers were part of the Lab. Others started major change initiatives that shaped the strategic orientation of their companies, as happened in the case of Eileen Fisher. Still others evolved their place-based local economies by linking them with compassionate entrepreneurship, as we see in the case of Michelle Long and Business Alliance for Local Living Economies (BALLE). A number of other initiatives also came out of that prototyping. I'm telling you this to show the possibilities that are already out there; it doesn't take that much to connect the dots and to generate new initiatives that begin to link all these institutional innovations (related to the eight acupuncture points) in a more coherent way.

Conditions for Shifting the Social Field

Let me stop here to review what I have said: We are living in a time of disruption, and we are encountering something that is dying. What is dying shows up as a shadow of our old civilizational dream: bigger is better, and so forth. What we are called to do is to evolve that civilizational dream in a way that reflects and transforms these shadows by reinventing how we live and work together, by articulating what kind of civilization we want to be and cultivate. A lot of this deep renewal work is already underway. It involves the regeneration and profound evolution of our economic, democratic, educational, and cultural institutions. I recognize that we have some great prototypes and living models in all these areas, but I also recognize that they hardly ever reach scale. They almost never actually

transform the larger system. So what have we been doing? Are we just accomplishing small stuff that makes us feel good and leaves the mainstream still heading in the wrong direction? Are we just kidding ourselves?

Every day I ask myself where it is that I can be of most benefit for the larger transformation that we all are part of, knowingly or not.

Here is a real-life story that highlights some of these institutional transformation issues. Noticing that most institutions keep entering our current period of disruption by and large completely unprepared, seven years ago I was able to co-initiate a platform of tri-sector collaboration among business, government, and the civil society sector. Yes, we need social entrepreneurship, but we also need to help the next generation of leaders inside these old traditional institutions in business, government, and civil society to step up, to connect with one another across boundaries and form cross-sector platforms of system innovations.

I wondered what I could do to help to activate these underutilized potentials. I made a list with my colleague and friend at MIT, Peter Senge, of key people in major institutions whom we knew and whom in most cases we had been working with. Then I went around, met with these individuals and their institutional representatives, and asked them whether they would give us some of their best high-potential emerging leaders to go on a journey to investigate how we might build collaborative platforms in order to innovate at the scale of the whole system. Somewhat to my surprise, almost everyone said yes. It took a whole year to co-design and prepare what we wanted to do and then another year to actually undertake this journey with

around 26 participants, who all continued in their day jobs, but every two to three months we would get together for a week or so in order to do the following: 1. Set their intention; 2. Experience deep immersion; 3. Reflect on who they really are, who they want to be going forward, and what future they want to create; 4. Prototype what they want to create in order to explore the future by doing; and 5. Learn from the prototyping initiatives in order to evolve, scale, and sustain the most interesting innovations as needed. Upon completion of this pilot project we found that the outcomes were quite far-reaching in terms of personal and relational transformation. As for the practical prototyping and innovation work, we had the usual spread of some good cases and some less successful ones. The project ended in 2007.

What's impressive is that now, seven years on, it's a totally different picture. The impact of the prototype work that in 2007 we considered well done but not great, now from a 2013 perspective looks highly impressive. The groups involved have come up with initiatives that resulted in launching new companies, venture networks, and policy changes in NGOs both nationally and globally as well as in platforms of collaboration that keep generating new ideas and initiatives. In Indonesia these platforms are now being replicated and are moving into other countries, one of which is China, where we have been doing interesting work with the Chinese government over the past two years. This year, for instance, we worked with the Industrial and Commercial Bank of China (ICBC), not only the biggest state-owned bank in 2013 but also the biggest company in the world.

Here is an example of what we did with the ICBC group when they visited us at MIT a few weeks ago. We put the participants through a climate-change simulation lab for half a day. Picture this: at 8:30 a.m. they entered the workshop room and saw that it was set with six tables, one each for the U.S. delegation, members of the European Union, other developed countries, China, India, and other developing countries. Each participant had been assigned to one of the teams and received a briefing the night before on the countries a team represented. They were greeted by the facilitator, a person playing the role of Ban Ki-Moon, Secretary General of the United Nations, who welcomed the delegates and asked them to take seats at their respective tables. Then he provided the delegates with a factual update on the urgent situation related to global climate change. He gave each delegation half an hour to develop a proposal for addressing the pressing climate challenges in order to mitigate and perhaps halt the crisis by the year 2100. Each delegation was asked to present binding commitments that its country or region would make on the following variables:

1. In what year it would stop increasing greenhouse gas (GHG) emissions;
2. in what year it would start reducing GHG emissions;
3. the annual rate of emissions reduction it would undertake;
4. action to stop deforestation and promote reforestation;
5. projected financial contributions for all of the above (through payments into a global fund).

The delegates quickly realized that they were not all equal. While the tables of the delegations from the U.S., the EU, and other OECD (Organization for Economic Co-operation and Development) countries were set with delicious food, China and India had no food on their tables. The delegates from “other developing countries” were even asked to sit on the floor, with a table and their chairs being removed.

After heated negotiations, each team presented its proposal. Prof. John Sterman, as Ban Ki-Moon, put each delegation’s recommendations into a science-based simulation model that he and his MIT team had developed and that is being used by various actual UN delegations to train their negotiators (including the U.S. and Chinese delegations). He ran the model and presented the results. Although each team had stretched itself to make compromises and painful choices, the results projected for the year 2100 were nothing short of catastrophic in terms of climate destabilization, sea-level rises, ocean acidification, and temperature changes—which would disrupt societies on a scale never seen before. Whenever this exercise has been done, the outcome has always been dire, with the participants puzzled and angry, showing signs of denial, depression, or cynicism. As long as they represent only their own country’s interest, the results are a failure. That’s exactly what happened in Copenhagen, where the negotiators did not even come close to addressing the seriousness of the situation.

What really hit home for the delegates was a map that showed how the projected sea-level rise that would result in spite of their decisions was going to devastate their home

cities. Then the Secretary General asked the delegates to rework their commitments in a second round of negotiations, but first he gave them a tutorial on visualizing the potential impact for each region in the year 2100. Having seen in round one the results of their collective decision-making, in round two the delegates developed commitments of a whole different order of magnitude. They were much more courageous, collaborative, and determined. But still the projected scenario for 2100 was devastating, although not to the degree it was in round one. It took a third round for them to come up with an almost-final set of decisions and commitments, which, according to the model, came close to being acceptable.

After witnessing this process a number of times with different groups, I have a few observations to make: The behavior in round one is exactly the same as what we have seen in our actual delegations in most international negotiations on climate change over the past decade. Yet in rounds two and three they abandoned their silo perspective (“This is all we can do—and by the way, the real polluters are sitting at that other table”) and adopted a perspective of “seeing the whole.” Their mindsets shifted from an ego-system awareness (me-me) to an eco-system awareness (me-we, an awareness of the whole).

There are five conditions I have seen that facilitate this shift from *ego* to *eco*:

1. *A container*: You need to bring all key stakeholders together in a single room and then create a holding space in which they can interact and learn with one another.

2. *Science*: You need good science for the data to speak to you in order to get beyond everyone's currently favored opinion.
3. *Dialogue*: You need to close the feedback loop between collective action and self-awareness; you need to *make the system see itself* (which is the essence of dialogue).
4. *Aesthetics*: The origin of the term aesthetics lies in the Greek word aisthesis, which means perception through the senses. In the workshop, it was key to feel the impact of sea-level rise by means of visualization of the map as well as by the oversupply vs. nonsupply of food at the delegates' tables and other inequities.
5. *Facilitation*: a "Secretary General" to hold the transformative space. When the shift happens between round one and rounds two and three, participants let go of their ego-system view ("Look at what they are doing to us!") and begin to operate from an eco-system view ("Look at what we are doing to ourselves!").

From Ego- to Eco-system Economies

Summing up, we live in an *eco*-system world, but our thinking is still influenced by and limited by our *ego*-system awareness. The shift described in the climate-change simulation case was facilitated by the eco-system reality gradually sinking in and penetrating the ego-system awareness of the mind. You can almost watch it happening, really. If you are able to hold that space, then the group begins

to act differently. I'm giving this example because I have seen the same thing happen many times in other situations as well. If we want to go beyond the small successes we have had so far, we must introduce those five conditions to places where it matters. I think that's what we are missing today at all levels of scale from local to global.

I believe there are two requirements if we are to shift our focus and seriously promote the new economy: one is a set of institutional innovations around the eight acupuncture points I listed: nature, labor, capital, technology, management, consumption, coordination, and ownership. The other is a new collective leadership capacity, which means a new generation of people who can do collaboratively what the facilitator did in the story I just shared with you, people who can make all five conditions I mentioned available in every city, community, and system, in all the places that need to flip, including the classroom. If we have only institutional innovation and we bring all the right stakeholders together into the same room, what happens? Nothing good. It's the same speeches, same old same old, *unless* we also bring in a social technology that enables them to move from a debate mode to dialogue and collective creativity. There needs to be both the institutional innovation and a new leadership capacity—in addition to a place where this collective capacity can be built at the appropriate level of scale. There are so many young people looking for that deeper level of change right now, yet we have failed as a generation to put the infrastructure into place for them. We have all the elements, we have the living examples, we have the methods and tools, we have great inspiring change leaders; we don't have a one-stop platform that links it all

together as a landing place for the next generation to learn, connect, and cultivate the collective capacity of sensing and actualizing emerging future possibilities.

I am proposing a new type of multi-local, global leadership school that supports the ongoing transformation and socio-economic shift from ego to eco through research, tools, capacity building, and cross-sector innovation platforms. I believe the best way to start is with a few places that are already connected and are working with the same intention. Such places are now in the making in China, Indonesia, Brazil, and hopefully soon also in Boston. The networks and all the different elements do exist, but will we be able to put them together with the degree of coherence and commitment that is called for today? Sometimes I think that we are not really serious enough to take on that challenge. I am inspired by what we have accomplished so far, but I also have a sense of frustration in terms of hey, how long do you want to talk about this before you really do something? All the prototypes are small, small, small. When are we going to put this all together?

Thank you.

Question Period

Where do you see the greatest innovation in large organizations? I know you've worked with Seventh Generation, BALLE, and Triodos Bank, a bank with an ethical mission based in the Netherlands. What about the more traditional organizations? Where is the transformation taking place?

Many of you probably wonder where the new is coming from. From the periphery. That's why focusing on the big organizations is probably a waste of energy because the new usually starts from the outside. But I'll mention a few where I do see some new-economy principles embodied. One is Natura with its 1.5 million consultants, a Brazil-based international company that comprises micro-entrepreneurs at the base of the socio-economic pyramid who are creating their own ventures and cultivating relationships. In the social and ecological context the company is genuinely trying to do good things. It's not perfect, but Natura does have a DNA that enables it to see itself as part of a social mission, as contributing to a better society.

Another example: I worked a little bit with Alibaba in China, which is the biggest online company in the world and was founded by a teacher, Jack Ma, a very inspirational figure who operates with a social mission and is creating a whole eco-system of enterprises—eco-system is the operative term they use. Alibaba empowers Chinese entrepreneurs—small, medium, and also larger companies. It builds infrastructures that enable its users to act as entrepreneurs, starting their own businesses. I find this interesting in terms of both scale and aspiration. People say the company will have an initial public offering in 2014 that is expected to

be the biggest IPO ever. It combines what Amazon, eBay, and PayPal do—and even more. As an enterprise driven by a bunch of young, open-minded entrepreneurs, Alibaba has great potential. Jack Ma is considered the Steve Jobs of Asia, but the difference is that he has developed more of a social and ecological literacy and awareness than Steve Jobs ever did.

That being said, I'll repeat that I don't think big organizations are the solution. What I'm suggesting is that we need new platforms of collaboration linking the change-makers inside these organizations with the movement of social entrepreneurs outside of them. I have been working with some of the big old institutions. What do you find inside these shells? Often there are the same aspirations you would find in the world of social entrepreneurs. So yes, even though they made different choices, fundamentally there is the same deeper level of aspiration and humanity that people can connect to more fully. I see this in my classes at MIT as well. Ten years ago only a few students were interested in socio-economic change, with everyone else heading to Wall Street. Now half the group consists of mid-career executives sent by their companies to prepare for their next, much higher leadership role. If I ask them why they picked my class, they say that the higher they rise in their organization—and they are all pretty high already—the less inspired they are by what their company is asking them to do. That's their experience. I don't think big systems are the solution nor is small size the solution. What's missing are new platforms where we can link, learn, and innovate both on a large scale and a small scale encompassing the whole.

Throughout your lecture there are certain concepts that were missing: equity, justice, morality, ethics. Can you describe where they fit in to the new economics scheme?

If the concepts I presented were spelled out more fully, all your points would be included as part of the foundation. But my approach is in terms of an internal feature, not an external demand. For example, when I do a sustainability course, I try to minimize ethics and morality because I don't want to put people into another straightjacket. My personal experience is that if you create the right kind of learning environment, people will understand what's going on, so that a deeper ethical ground of action will be accessible to them and will change their course of action in profound ways. I believe that the leverage point is not more courses in ethics. In fact, they are probably over-rated and are just an add-on to something that's already going in the wrong direction. More courses in ethics will not transform capitalism. What we must do is much more fundamental and is related to how we see and sense reality, how we as individuals and as collective entities evolve the consciousness that we are operating with.

I have always been inspired by Goethe, the German poet and thinker who thought his main contribution was in the field of science—a phenomenological approach to science—not in his literary works such as *Faust* or his poetry. The essence of his approach is captured in the following sentence: “Every object well contemplated opens up a new organ of perception within us.” That's what I believe. Why? Because I have seen it happen. That's exactly the reason I told you the story of the Chinese group and the climate-change simulation lab. It's about seeing reality; it's

a phenomenological process, which you need to allow to penetrate your mind and open it up. It's also about listening. The most important thing I do in my classes is have students practice their listening. My first class assignment is that they take an empathy walk with a person totally different from themselves. I tell them to look for someone who is different from them socially, politically, and however else; then be a guest in that person's life.

There is no shortage of sense-making in society today. Then what's the problem? The problem is that it's silo-based sense-making. We don't have the co-sensing, we don't make sense together with all the other stakeholders we are connected with through our systems. If we develop a real connection with them and actually allow the sense-making to go deeper, this will lead not only to new ideas but also to uncovering a shared ethical and moral foundation. That's why I don't preach about what I believe that foundation should look like but instead try to create containers where this uncovering can take place. The ethical dimension is already there for everyone; it's just not accessible because there's too much noise. My view is that aesthetics is the gateway to real scientific and ethical activity.

When I heard your story of the farmhouse burning, it struck me as very existential. How do we accept losing everything? Maybe you addressed helping people to get to that point in the five conditions that precede a shift. The existential piece seems really important to me.

I agree, and I am amazed at how open and ready people are today to explore the deeper sources of knowing if you offer them useful environments or tools to do so. I'm

also amazed by the lack of pushback when you introduce mindfulness and awareness practices into development work in organizations, which makes me wonder if we aren't being courageous enough. There's a new space of possibility available now that we are not leveraging sufficiently because we are operating on the basis of negative experiences we had perhaps ten or twenty years ago, but those conditions no longer exist. That was another age, and the field has shifted since then. After 1999, but definitely for the past ten years, things have been opening up in a meaningful way.

Several years ago a novel came out by Ralph Nader called Only the Super-Rich Can Save Us. I've been noticing research lately that says rich people, particularly those who are newly rich, have a difficult time connecting and empathizing with others. What you're really talking about is a massive need for connection. We all seem to live—at least I know I do and have for most of my life—according to the theory of survival of the fittest, believing that we have to fight to survive. Where are the new ideas that transcend the belief that life is a dog-eat-dog struggle?

There is a lot of evidence that the struggle-for-life narrative is not only one sided but also has become less and less applicable to the global challenges of our time. There is another narrative about evolution, about the economy, about what makes us effective that emphasizes collaboration and co-creation and that has a lot of evidence and support backing it up. We live in a very fragile historical moment, a bifurcation point where evolution could go one way or the other. This is why I believe that the creation of

a global-transformation leadership training school could make a substantial difference by helping to facilitate the ego-to-eco shift across sectors and systems.

I'm originally from Malawi in Southern Africa. As you were talking about the need to create platforms that encourage more collaboration, it occurred to me that a lot of the development Africa has undertaken does make the case for more collaboration. Many institutions like the African Development Bank and the Southern African Development Community have emerged, but I wonder whether these institutions have been innovative enough. Probably not. Most of the development in Africa has been greatly influenced by the World Bank and International Monetary Fund. They are perceived as knowing how things must be done. But clearly there is a crisis, and a shift has to take place, especially in the conceptualization of development. How do we accelerate this shift, this change in conception at the institutional level, specifically for the big development institutions—and for leaders in Africa as well? What are the best ways to put forward incentives that promote the shift and a new perception of what leadership should be like?

I have been participating in a three-year project in Namibia that addresses maternal health and helping the government in other health-sector affairs to collaborate in a new way that will strengthen the well-being and health of mothers and their newborns. One thing we have learned is that it takes time.

How is development there being approached? With many single-focus projects being executed outside of the normal government bureaucracy, we have seen a weak-

ening of the overall system. How can we strengthen the system and the capacity of institutional leaders to realize their aspirations? There's a history of not being in control, a history of being betrayed by the system so often and so deeply that one of the success factors in the Namibia project was to trash all the plans and then start over, this time creating a plan to go beyond donor-driven nonsense that just makes the problem worse. We were lucky to be able to do something about it because we had a lot of flexibility that allowed us to say, "It's up to you to define together the changes you want to see and to realize in your system."

I also learned that if you take people out of their narrow, institutional, constrained environment and move them around, have them walk in the shoes of people without access to health in remote areas and so on, it's a huge eye-opener that reveals reality in an organic way. If you do this with diverse groups, a connection emerges that makes it very natural to think about the bigger picture.

And my last observation on that particular project is that in order to connect to the emerging future you must have confidence. You must believe that the universe is a helpful place and not your enemy. If you think it's an enemy, that means you're closing down, whereas the process I'm talking about is one of opening up the mind, the heart, and the will. You can open up only if you have that belief, which makes you comfortable stepping into the unknown. It will take time in order for confidence to grow to a level of strength that allows you to deal with the opportunities life is giving to you.

I think the new paradigms are good in theory and

possibly in practice in places like New York City and the Northeast, where there are already relatively localized economies, but how do you take on monopolistic structures like Walmart or Monsanto?

Well, it's a matter of transparency, dialogue, and in this case public opinion. How does a system like Monsanto's work? Through exclusion by means of lobbying, special interest groups, backdoor agreements, revolving doors—obvious things like that—basically by coming up with deals at the cost of those not at the table such as the farmers, the natural world, and future generations. We need to create transparency around all that and to have public conversation in order to address the main issue. And what is the main issue? It's the well-being of the whole; it's the well-being of the entire community. The structural problems of the highly concentrated sectors like the agri-industrial complex, the military-industrial complex, the energy or financial industry are the same: they maximize their special interest by lobbying, revolving doors, lack of transparency, exclusion of other stakeholders; by manipulation of public perception; and by the lack of real public discourse based on dialogue and facts. Those are the areas that we should be working on.

I'm not working with Monsanto, by the way, and I don't think I could go back home if I were, but in principle if the company's intention were to transform what it is doing, I would welcome it. I don't see that intention at all, however.

The situation in Syria is very much on my mind, having lived there, and I'm trying to apply what you've been saying

to that situation. In your example of the climate simulation, those actors came into the room and wanted to address the issue. How do you deal with conflict when the people in power are not rational, do not want to relinquish power, and don't want to come to the table? In the meantime, the next generation is being robbed of an education or is growing up in refugee camps. I understand that it takes time, but we're also jeopardizing the next generation.

I'm not an expert on Syria or that part of the world. I do know, though, that the European press has a somewhat different perspective from the American press. I doubt that the leaders under no circumstances want to come to the table. Complex problems require complex solutions. When I read some of the interviews, I find it's not true that they are crazy; but first you have to create some common ground among the parties, making space for *all* the key players to see that there's something of value for them. It is, however, an extremely difficult situation, and if I have learned one thing from the conflict-resolution experiences I'm aware of, it is that any real conflict has multiple parties, not just two. The moment we reduce the complexity of a situation to an antagonistic conflict between two main parties, we are already on the wrong track. The trick is to expand the conversation by bringing in the voices of all the actual players,

Something I learned in change management and organization is that if you want to alter someone's behavior and you don't have any power over that person, the first thing you do is build a relationship. Without a relationship the best ideas you have are completely useless. That's reminiscent of the farmer's work with the soil. For 50

years I heard my father talking about the importance of the quality of the soil. What does that mean in the social field? It's about how well we listen to others who do not agree with us.

When I look back to 1970, I thought then that we were on the cusp of some big changes when people were waking up to the environment and were developing a different consciousness. More than forty years later, I think that in many ways we've been moving backward. Granted that awareness of the environment is obviously much greater now and technology is far different now, but why should we assume that things will actually get better in the future?

Things will not get better at all *unless* we make them better. There is no automatic mechanism that will do it for us. What I have been pointing out is that in the past there used to be people—like you and me—who thought in terms of big change ahead and other people who contested that, wondering what we were talking about. I have gone to many places, I have talked about the current crisis, about a time of disruption, and for a long time now no one has challenged me on that, but in earlier years it was a different matter. That's all I was saying. There's a different collective condition now; the collective awareness has shifted. But will anything happen as a result? No, not by itself, but we can make it happen. I truly believe that. If you think about it, there are only three options: denial, depression, or cynicism. That's the menu. If I try to monitor my own energy, I can say that I am not depressed, I'm not always in denial, and cynicism—maybe some. But there's another energy that I can tap into and that I see many people tapping into,

which is an energy of inspiration that makes me believe we can make it work.

I feel profoundly grateful for being on this planet right now because now is when what we do matters most. It's our generation who I think must bring the change that the generation before us only talked about, and it's up to us to provide the generation after us with a landing place they can use to realize their own aspirations. When I experience the energy of people in many places who have a sense of future possibility and who turn that possibility into reality, it inspires me and gives me confidence. Yes, the problems are even bigger than we thought forty years ago, but this other energy, this energy directed toward a better future, is more accessible now, not only for me or us but for many others. It's not a painful ten-year process we have to go through; no, it's right here and now, and that makes me very hopeful.

Otto Scharmer is a senior lecturer at Massachusetts Institute of Technology's Sloan School of Management. He is co-founder of the Presencing Institute, which offers training and research sessions for executives and activists on how to advance the transformation of our economy, and is the founding chair of the MIT IDEAS Program, which takes leaders from civil society, government, and business from Indonesia and China on a nine-month action learning journey in order to develop the disciplined, evolved consciousness needed to advance transformation in their communities. With the German government and the Gross National Happiness Centre in Bhutan, he co-founded the Global Well-being and Gross National Happiness Lab, which brings together innovative thinkers from both developing and industrialized countries to prototype new ways of measuring well-being and social progress. He has worked with governments in Africa, Asia, and Europe and has led leadership and innovation programs at corporations such as Alibaba, Daimler, Eileen Fisher, Fujitsu, Google, Natura, and PriceWaterhouse.

Scharmer is the author of *Theory U: Leading from the Future as It Emerges* (2009), co-author of *Presence: An Exploration of Profound Change in People, Organizations, and Society* (2005), and *Leading from the Emerging Future: From Ego-system to Eco-system Economies* (2013). Through MITx and edX.org he created the U-Lab, a new type of social-entrepreneurship MOOC (Massive Open Online Course), which for the first time blends a MOOC with the social technology of co-sensing and co-creating emerging futures. He holds a Ph.D. in economics and management from Witten-Herdecke University in Germany.

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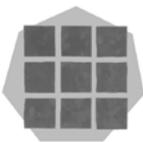
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“The exclusion of wisdom from economics, science, and technology was something which we could perhaps get away with for a little while, as long as we were relatively unsuccessful; but now that we have become very successful, the problem of spiritual and moral truth moves into the central position.”

— E. F. Schumacher, *Small Is Beautiful:
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