
I would suggest to use the Web and some of its new social technology in place of Wall Street as a large-scale mechanism for investment and decision making

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C. Otto Scharmer: What is the work you're doing and what are two or three formative or important moments in your life that brought you to the place, to the work you're doing now?

Phil Thompson: Well, I'm on my third career, I think. I was a community organizer for about seven years. And then I worked in local government in New York. And now I've been in academia for 12 years or so, maybe a little more.

COS: What area of academia?

Phil Thompson: I taught in political science, public policy. And now I'm teaching in urban planning and politics. I was trained as an urban planner. And so now the work I do really combines all of the things I've done best. I'm at a university, but I also work a lot with the union and community groups in cities, mainly around change.

COS: So what is the kind of change that you are trying to bring about in your work?

Phil Thompson : Social, political, economic, environmental change.

COS: What would be an example from that?

Phil Thompson: An example would be our current work, **which is working with the national administration on how to green cities, but to do so in a way that creates learning opportunities for people, all the way from high school dropouts on up.** And do so in a way that creates new kinds of businesses.

COS: Well, that really speaks to the heart of our interview project. So maybe then start with this question. *What kind of changes or crisis symptoms do you experience in your own work, in your own life?*

Phil Thompson: Well, I've been telling my students that the current mortgage meltdown and economic collapse was coming. And well, there is the whole reason that I teach housing and community economic development. Much of the work in housing completely divorces housing and the housing industry and the environmental analysis of jobs and income. And if you looked at both, then you could see **that the cost of housing was just rising a lot more, a lot faster than the rise in income**, particularly for most people, for most families.

And low-income areas started falling further and further behind on all their bills, their mortgages, the credit card bills; they were just having a hard time. I linked it very much to the nature of job growth in the last 25, 30 years, which has been largely in very low-paying service sectors: janitors, security guards, homecare workers. **So you have people making \$20,000 a year or less trying to support families when prices are increasing everywhere. That's not a formula for economic success long term.** So I've been advising students to start thinking about alternatives to the way in which low-income housing has been done financially.

COS: So of these symptoms, *what are the main root causes* that drive this type of development?

Phil Thompson: Well, I think one of the root causes is **lying to achieve profit, lack of regulation of markets, and a real diminishing of government.** I think another root cause is **ideology.** I think that workers' organizations or low-income people have been taught to put their assets in the hands of others who are supposedly smarter than they are, more credentialed. **I don't think they're really educated to be responsible investors with their own resources.** And as a result of that, I think **they relinquish power, in the case of unions and their pension funds, that could be harnessed to invest in a way that actually makes sense for most people.**

I think most people who live in poor communities understood that they couldn't keep up with their bills, understood that their children really weren't being educated, understood that they really don't have much of a future. And I think if they actually had the opportunity to make decisions about their own investments, they would invest in things that create better opportunities for their children, that stabilize the housing markets, that pay better wages. I think they would promote a whole different set of priorities in the economy.

Capitalism has become very abstract and very technical. That's very harmful, really divorced from real people in real places.

And yes, there have been some advances in technology and the ability to pool capital, but I think at the end of the day those resources haven't been put to very good use. So I see that as another root cause. And between the two, I think the latter is more important.

COS: The abstraction from everything that's real, from real life, real concepts, which leads to the absence of common sense in all these decisions we have seen. I think that's a very precise and interesting description of a key root issue we are dealing with.

How do you link that root issue back to the economic theory that decision makers currently are operating with? *What do you consider the blind spot of economic thinking today?*

Phil Thompson: I think **the notion that markets operate based on some hypothetical notion of interest and self-interest makes for very nice diagrams and a semblance of coherence and economic analysis, but I don't think it captures what people are like at all.** I don't think that people are only or even principally utility-maximizing organisms. **I think people are concerned about their families.** They're concerned about their **neighborhoods.** They're concerned about their church or **religion.** They're concerned about **beauty.** They're concerned about a whole lot of things that are not captured in that classical model that we still are dominated by, or at least that economics seems to be dominated by.

And I also think that proceeding from a model like that leads to a rupture and a divorce from all the real things that make up the fabric of people's day-to-day lives and their aspirations. **Economics becomes something that is portrayed as separate and distinct, as having laws of operation and mechanics that somehow aren't evident or not expressed in what people care about and how they live day to day. That's ideology.**

There's no such thing as an economy that operates separate from people. And I don't think there's any sort of law about how the economy should operate based on someone's model that should be given more weight than people's actual experiences, their desires and their wisdom, their common sense. **So I think the model is radically wrong. And I think it accounts for huge blindness, such as the current environmental crisis in the world in which we have sped head-on toward the destruction of our entire planet. It's led to this massive global economic meltdown.** And it's being constructed based on the same principles that'll bring an even greater breakdown in the future.

COS: So given that, what *key strategies do you think could address some of these root issues and these blind spots of our current approach to dealing with the crisis?*

Phil Thompson: I think that there needs to be a social process that enables communities, neighborhoods, regions to identify their own priorities. And that might mean the bringing together of people who worry about workforce issues; the people who worry about family issues; the people who worry about health issues; and the people who worry about the environmental issues. Those folks need to work together to really construct their vision of what they would like their life to be like.

The question is, how can economic investments and relationships be structured to promote the kind of place and the kind of community that people want to see developed that would be most beneficial to them? Once those things are known, I think that technologically we should create mechanisms for global investment and for moving around resources that are transparent. And we should educate people how to understand, how to evaluate various proposals for development or for investment in a transparent way.

I actually don't think we need investment banks with people on Wall Street who just look at numbers. I think many of those functions can be on the Internet, on eBay, or something like eBay that just provides base, transparent information, and folks can read it and evaluate it for themselves and invest in things that really speak to all of their values, not just monetary returns but their concerns for the environment, their concerns for children, their concerns for health. People should be able to make their own choices about where they want to put their resources. That would change the market.

The last thing I think on this is that **once we have a process like that, the vast majority of the world's people would establish a basic set of standards. You could call them human rights.** But I think **most people in the world want access to healthcare and believe that everybody should have access to healthcare. I think most people in the world think that children should be educated and should have access to education. I think most people in the world believe that people should be able to earn a good enough income to provide for their families and shelter and clothing and things like that.**

If we had those universal standards, then markets would be forced not to compete over those things. Not on who can pay the least, who can skimp the most on basic necessities of life, like healthcare or environment. Companies would compete on the basis of which company is able to best earn the enthusiasm and talent of workers and of communities; **which company is most in tune with people's needs and is able to satisfy these higher aspirations that people have; which companies are best able to integrate good technology and which workers know how to use it, etc.** And market competition could race to lead to positive outcomes rather than **race to the bottom.** They could raise standards rather than lower them. I don't know if that makes sense.

COS: I think that is really a powerful vision, to reverse the race to the bottom by moving in the opposite direction. I heard you describing a radical reintegrating of the economy in a larger social context. And among others, a radical increase in the participation and transparency of both investment and public investment, which is completely obscure at this point.

Phil Thompson: Yeah, and even to the investors themselves, apparently.

COS: I think we probably all know how to track the financial dimension—sales, investments, returns, and so on—so that's easy. But talking about communities and how they could start

setting their own priorities means that you are reconnecting with the very roots of economics and the economy. The term economy originates from *oikos*, which is the Greek word for the whole house.

Phil Thompson: That's right.

COS: The word root of economy means dealing with the whole house. Can you provide examples of a more transparent or more democratic economy that deals with the whole house?

Phil Thompson: I know a bunch of small examples. I know many communities that have constructed community-owned enterprises or enterprises where community members direct the board, control the board, and they do go through a process of setting priorities and deciding what they want.

There is a very large cooperative movement in Quebec, Canada, with banks that have been organized along these principles. So I think there are a lot of micro examples.

One example is Prosper (<http://www.prosper.com/>). And I know you're going to interview them.

In the space of a few years, Prosper has attracted almost a million participants. They make small loans using an eBay-like format. And now the credit card companies have encouraged the FCC to investigate them and slow their operations down because they undercut the credit card companies significantly. **[Through Prosper] low-income people give loans to each other. That's working really well. So 850,000 people, I think, now are getting in on that.**

COS: *If you could advise Barack Obama about three things that he could do that'd make the most difference, what would you tell him?*

Phil Thompson: One, I would encourage the administration to establish a **national infrastructure bank, along the lines of Ginnie Mae, which is a government financial intermediary.** And the reason I would do that is because greening the country requires a thorough rebuilding of America's infrastructure.

The other reason I would do that is because I think you need an investment intermediary like that in order **to create a safe space for labor unions and others to put their pension funds, put their savings to invest in this new America.** We do that for mortgages, so I don't see why we couldn't do it for infrastructure. I think **that alone would radically shift the power center in global capital,** and would radically shift it into something that would basically be a community labor–government partnership on financing. **It would create a mechanism to actually resource this different kind of vision that people could express and develop and create.** I think that's one thing he could do now. And actually it would enable him to accomplish a lot of the things he wants more quickly, more to scale.

Second, I would encourage him to support processes similar to the ones we're building now **with the labor community coalition, actively engaging community groups, labor unions,**

local officials. And he is supporting that, but I would encourage him to do as much of that as possible because I think you have to **build the civic awareness**, the political coalitions, etc., to make it happen, place by place, locality by locality. You can't shortchange the conversations, the discussions, the participation of folks, so they really understand, embrace change because they're creating it. He's starting down that road, and I just think that has to continue on a bigger scale.

COS: What are these phases?

Phil Thompson: Well, it's funny. We're working on multiple scales. We're convening community groups in neighborhoods and across neighborhoods. We're convening labor unions at the local level, across trades, and across jurisdictions. And we're meeting with local officials from city council members and assembly members to mayors. And we're working with governors. And we're working in Washington with the national administration. So we're working at all levels.

COS: When you say "we" who are you referring to?

Phil Thompson: I helped form something called the **Emerald City Coalition**, which is emerging. But it's almost all the major building trade unions, almost all the major service trade unions, the biggest community development intermediaries or networks, the biggest community service providers, at least in job training. **We're all around one big table, and we're cooperating together nationally.**

And third, **I would actually use the Web and some of its new social technology in place of Wall Street as a large-scale mechanism for investment and decision making.** I think those things are albatrosses, and I think they will die eventually anyway. But I would prefer to see their death quickly, and I think that's the way we could achieve change in real time. Given the option, people won't use American Express; they'll use Prosper. Given the option, people will opt for these participatory financial vehicles rather than the structures we have now.

COS: So in spite of all the negative feelings across the country and across the globe against a Wall Street structure, the interesting thing is that the economic discourse we're having, including from the White House economic team, is not around that type of vision. *Going forward, what are some of the important questions that we need to focus on and do some research and experimentation around that would most help to advance that type of transformation?*

Phil Thompson: I think we need to **gather all the best practices in each of the domains that I talked about in order to show that things are happening already around the world and with good results.**

And I think once we have all those models and best practices, **we need to create a language, a way of characterizing it, that helps people to think about and understand it and embrace it.**

Right now I don't think we have the language. I haven't seen these models pull together. I haven't seen people really think about it and try to draw out in theoretical terms what the new direction is that combines all of these efforts.

These things don't come out of my head. These things just come out of my observation of what people are already doing. I'm seeing the power of what people are doing. I love what people are doing, you know, these innovations that people are making. And I think that's the future.

The people who are doing these things, I notice they tend to be **younger**. They tend to be **out of the mainstream**. And for that reason, people don't know about it. Academics tend to write for other academics who have achieved credentials based on how things used to be. So it's not really a great environment for introducing bold, new, innovative kinds of ideas.

I also think we have to reinvent academia. I think the way it's structured now with the medieval tenure system and denigration of practice, denigration of experience, is a barrier to change rather than an enabler of change. A critical part of why we can't innovate more rapidly is because the ideas are not coming out of business schools. They're not coming out of political science departments. And so for sustainability of even change, **I think we have to recreate education itself.**

COS: Recreate around what?

Phil Thompson: I mentioned that I think the system of publishing and credentialing is actually a barrier to new ideas. I think the denigration of practitioners' knowledge, their local knowledge, actually leads to a **dumbing down of universities and institutions rather than connecting people to innovation and change and experience and practice. So I think that has to be radically transformed.**

There are new opportunities with the Internet and other developments. We would need a learning process between practice and theory.

People do studies. People take a year or two to publish it. Five people read it. It comes up five years later; five more people read it. And then hopefully they say, well, after I die or by the time I retire it might have an enough of an audience that people think it's significant. Well, if that's our pace for saving the planet from environmental catastrophe we might as well give up now. It can't work like that. We have to learn how to do it real fast.

The people who are going to be developing the ideas and the lessons are practitioners. A scholar can't sit and just read data. You have to be directly connected. And then feedback is really important. Summing up lessons, getting them back out to the field. What are other people learning? What have they done?

I think we have to radically change the way we think about knowledge and where it comes from, how it moves. I'm not at all convinced that universities, as they're structured now, are the best way of educating.

COS: Well, listening to you, the image that comes to me is almost of two parallel worlds. There is this old world, universities, Wall Street, corporations, investment, including government, but they're just doing more of the same, inside their own walls and they might modify a little here and modifying a little there.

Phil Thompson: Right.

COS: And then you said there's this other world with different people—a younger generation, more diverse, different mindset, more out there, doing the same kind of learning by doing. And these worlds do not seem very well connected.

And so what, I wonder, given your experience of moving in and out of both of these worlds, what is the enabling structure for that? Who provides the infrastructures for the communities, for these institutions, for this type of transformation? Do you see a new type of university playing that role? Who is doing that?

Phil Thompson: I'm not sure what the infrastructure for this should look like optimally. The way I think about it is, where does the best knowledge emerge?

All these practitioners, they're all over the place, and they're scattered everywhere. Knowledge is out there everywhere. Honestly, I don't think knowledge really resides in either place. I think it resides in that nexus that can be created. We need someone to bring together the **wisdom of all the practitioners and develop learning loops. To me, the wisdom lies in that relationship, that nexus.**

So what does it look like to capture that? I'm not sure. But I know it doesn't look like what we have right now. And I say the same about the financial houses. **The best decisions, I think, for people in communities will be made in an open platform, and then some learning is needed that enables people to grow and develop and share their learning with others.** Who creates that? What do you call it? How is that harnessed? To me, it's **a new financial institution. I don't have a word for it.** I think we need to work on vocabulary for describing and synthesizing these things.

To me, the real value of it could be to help categorize these things and give a language to it. I'm convinced that's where the wisdom is. That's where the power is. **It's new forms of relationships and new ways of knowledge dissemination and transfer and new forms of action,** That's what I'm trying to think about. And I don't know how to characterize it yet. I know in government it's the same thing.

I was in Peru last year. In Peru no government has really had the resources to manage the impact of climate change. And in Peru, 5,000 towns around the country are affected. The central government cannot think through plans for 5,000 towns. They can't even handle Lima right now.

And so the solution has to be somehow enabling these 5,000 towns, the mayors, the city, the local folks to construct their own solution, and at the same time, learning from what the other 4,999 are doing plus from people around the world facing similar challenges. That's what they need.

What do you call that, that form of government? I don't know. I'm not sure. I know what's needed. I don't know what to call it.

COS: More distributed, more emerging, more the result of a new type of relationship.

Phil Thompson: But not just distributed, also connected, so that people can learn what others are doing. **There are places in India, coastal regions, that are very similar to New Orleans. One had a tsunami; another had a hurricane. Very similar issues; very similar problems. How do they learn from each other?**

So they must be connected using the most advanced technology we can to connect people, but not replicating the centralized government structures we have all over the world that are fundamentally dysfunctional, that don't help anybody, that just make dumb decisions and try to make local people implement them. Sometimes it's pointing a gun or by withholding monies.

COS: So given this vision and new society and community in the making, *where could we go where we could observe and study this kind of emerging new landscape* and way of operating on a small scale? Who are the people? Where are the communities? What are the small examples we could seek out and study to see some core elements of what you have described?

Phil Thompson: I think there are elements of it all over the world. In South Africa the labor movement created a \$500 million social investment fund. The miners of South Africa have created a union, they're buying mines all over Africa. They created a fund to buy mines. And they're really struggling with how to take the resources from mining and use them in a transformative way, not just to pay shareholders in big mining companies. That's fantastic—a huge problem in implementation there, but a bold and fantastic initiative.

I mentioned Prosper; that's an eBay-like thing. There are loads of micro examples. We could go through that systematically and try and be rigorous about it and then find words to characterize it. Interview people doing these things, come up with the language.

COS: So the language really is part of what's missing from making it more visible at this time.

Phil Thompson: I think so, because I think that people don't understand language and paradigms. I'm saying language, but **I don't think people really understand how to change unless somehow they can verbalize it and visualize it.**

COS: Anything else you would like to share with us that wasn't addressed by the ten questions?

Phil Thompson: Last fall I was asked to go to Washington and meet with senior people in the Obama campaign. It was before the election, I believe. And they were asking for advice, how to deal with the financial crisis and the meltdown in the mortgage market. And no one could actually offer them alternatives. And to me that was a profound indication **of profound intellectual crisis.**

A few years before that I was in New Orleans and planners and designers from all over the country came. They were asked to develop a vision for a new city, and they couldn't. Most of them took that big question and shrank it to a city block or to a few buildings. **But they couldn't even imagine how to rebuild a city from scratch and what kind of economic, social, cultural, physical relationship they would propose be established on the ground. And that, to me, was another indication of profound intellectual crisis.**

I think that's where we are globally. In another sense, that's a huge opportunity. The only comparison I can make is to the Industrial Revolution, and the shift from peasant societies and farming societies to industrial societies. I think the change that we're undergoing now is on an even greater scale than that.

A lot of people are still relying on philosophers and theorists from that period. Take Marx. I like Marx, but the guy died in 1872, and you still have a lot of people who look at him to guide what we do now. That, to me, is poverty. It's real poverty in terms of knowledge and direction. We shouldn't try to shrink [the problem] and make it small in order to just fix something we know how to do. **We have to figure out how to open ourselves up to whole new possibilities. And probably that's the deepest challenge. How do you do that? How do you train people to do that?**

COS: Thank you!