Local Living Economies

The New Movement for Responsible Business

By Judy Wicks

A socially, environmentally and financially sustainable global economy must be composed of sustainable local economies. Yet, tragically, from American “Main Streets” to villages in developing countries, corporate globalization is causing the decline of local communities, family businesses, family farms and natural habitats. Wealth and power are consolidating in growing transnational corporations that wield alarming control over many important aspects of our lives – the food we eat, the clothes we wear, the news we hear, and even the government we rely on to protect the common good. By working cooperatively, locally owned businesses and conscious consumers can create an alternative to corporate globalization that brings power back to our communities by building sustainable local economies – living economies that support both natural and community life.

Socially responsible business (SRB) movement

Over the last 10 to 15 years, the socially responsible business (SRB) movement has made great strides in raising consciousness about the responsibility of business to serve the common good, rather than simply increasing profits for the benefit of stockholders. The triple bottom line of people, planet and profit has become a new measurement of performance for a growing number of companies that consider the needs of all stakeholders – employees, community, consumers and the natural environment, as well as stockholders – when making business decisions. Yet, problems have continued to worsen around the globe. All natural systems are in decline, global warming is accelerating, wealth disparity is increasing, and wars over dwindling natural resources pose a growing threat. Clearly a new strategy for building a just and sustainable global economy is crucially needed.

Old paradigm of continuous growth

While the SRB movement has brought improvement in business practices for many companies, overall business success is still measured by the old paradigm of continuous growth and maximized return on investment. Stockholder expectations and a “grow or die” mentality move companies to expand their brands nationally, competing with...

The Politics of Money

By Hazel Henderson

The word is out that economics, never a science, has always been politics in disguise. I have explored how the economics profession grew to dominate public policy and trump so many other academic disciplines and values in our daily lives. Economists and economists view reality through the lens of money. Everything has its price, they believe, from rain forests to human labor to the air we breathe. Economic textbooks, Gross National Product (GNP) and the statistics on employment, productivity, investment and globalization – all follow the money. Happily, all this focus on money is leading to the widespread awareness of ways money is designed, created and manipulated. This politics of money is at last unraveling centuries of mystification.

Civic action with local currencies, barter, community credit and the more dubious rash of digital cybermoney all reveal the politics of money. Economics is now widely seen as the faulty sourcecode deep in societies’ hard drives... replicating unsustainability: booms, busts, bubbles, recessions, poverty, trade wars, pollution, disruption of communities, loss of cultural diversity and bio-diversity. Citizens all over the world are rejecting this malfunctioning economic sourcecode and its operating systems: the World Bank, the IMF, the WTO and imperious central banks. Its hard-wired program, the now-derided “Washington Consensus” recipe for hyping GNP-growth, is challenged by the Human Development Index (HDI), Ecological Footprint Analysis, the Living Planet Index, the Calvert-Henderson Quality of Life Indicators, the Genuine Progress Index and Bhutan’s Gross National Happiness... not to mention scores of local city indices such as Jacksohnville, Florida’s Quality Indicators for Progress, pioneered by the late Marian Chambers in 1983.

As with politics, all real money is local, created by people to facilitate exchange and transactions, and it is based on trust. The story of how this useful invention, money, grew into abstract national fiat currencies backed only by the promises of rulers and central bankers is being told anew. We witness how information technology and deregulation of banking and finance in the 1980s helped create today’s monstrous global casino where $1.5 trillion worth of fiat currencies slosh around the planet daily via mouse clicks on electronic exchanges, 90 percent in purely speculative trading.

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New Fed Chairman Ben Bernanke opined that the mystery of low bond yields and interest rates was due to a “global savings glut.” Former Fed Chairman Greenspan, whose zero real interest rates flooded the U.S. economy with excess liquidity and helped create the dot-com, housing and...
Dear Friends of Vermont Commons,

If our common interest is to help establish a more independent Vermont Republic, then part of that effort will be to build a more independent Vermont economy — one in which, as economist Fritz Schumacher advocates in Small Is Beautiful: Economics as if People Mattered, the goods consumed in a region are produced in a region. Therefore, as the brilliant regional planner and intuitive economist Jane Jacobs argues in Cities and the Wealth of Nations, the strategy for economic development should be to generate import-replacement industries. She would have us examine what is now imported into the state and develop the conditions to instead produce those products from local resources with local labor. Unlike the branch of a multi-national corporation that might open and then suddenly close, driven by moody fluctuations in the global economy, a locally owned and managed business is more likely to establish a complex of economic and social interactions that build strong entwining regional roots, keeping the business in place and accountable to people, land and community.

What then, is the responsibility of concerned citizens to help build a sustainable Vermont economy? An independent regional economy calls for new regional economic institutions for land, labor and capital to embody the scale, purpose and structure of our endeavors. These new institutions cannot be government-driven, and rightly so. They will be shaped by free associations of consumers and producers, working co-operatively, sharing the risk in creating an economy that reflects shared culture and shared values. Small in scale, transparent in structure, designed to profit the community rather than profit from the community, they can address our common concern for safe and fair working conditions; for production practices that keep our air and soil and waters clean, renewing our natural resources rather than depleting them; for innovation in the making and distribution of the basic necessities of food, clothing, shelter and energy rather than luxury items; and for more-equitable distribution of wealth.

Building new economic institutions is hard work. Most of us rest complacently in our role as passive consumers, not co-producers and co-shapers of our own economies. But it is work that can be done, and fine beginnings are being made right here in Vermont in the development of local currencies, worker-owned businesses, community land trusts, and business alliances for local living economies. To honor the achievements already made and to encourage additional citizen participation in these innovative programs, this issue of Vermont Commons is focused on economics.

In his essay “Economics of Scale vs. the Scale of Economics,” author Kirkpatrick Sale reminds us to “take the economic scale that is optimum for the earth’s systems” in shaping our new economies. He shows us how to plan our economic activities in terms of the capacities of watersheds and bio-regions, choosing limits to consumption. He then goes on to describe eight principles of a bioregional economy, imagining an economics formed by implementation of conscious values rather than by market forces.

Judy Wicks was a single mother and anchored in her Philadelphia neighborhood when she started The White Dog Café. She knows that the success of her restaurant is due to her understanding of and commitment to her customers and a set of values they support. Her essay describes the spreading of that ethic to businesses around the country, “an alternative to corporate globalization—a decentralized global network of local living economies composed of independent, community-based businesses.”

Peter Barnes, who was a journalist before becoming the entrepreneur behind Working Assets Long Distance Company, has spent his whole working career considering the role of land in the economic system. “From Common Wealth to Common Property” is only one part of a long musing on how to free our common inheritance (land and other nature-given assets) from private ownership by individuals and convert it to shared ownership by all citizens of earth.
In an essay written for the Poverty and Race Research Association Council, Gus Newport describes the community land trust (CLT) as a model for securing community ownership of land while enabling private ownership of homes and other buildings on that land. In my January 2006 interview with Gus, which follows, he shows how this concept can be applied in the hurricane-ravaged areas of the Gulf Coast. There, the CLT has become an organizing tool for African-American citizens to retain control over future land-use decisions in their neighborhoods in the face of massive government and corporate redevelopment efforts.

Through her writings and public appearances, Hazel Henderson has devoted her life to helping us understand the role of money in the economic system so that we can change it. “The Politics of Money” is no exception. Witty and fast paced, it references other contemporary thinkers and activists in the field of local currencies/community currencies/complementary currencies, and in so doing honors them. Hazel honors us all with the inclusion of her essay.

Together with Herman Daly, Robert Costanza is known as a co-founder of “ecological economics.” Now part of the core faculty of the Gund Institute at the University of Vermont, Costanza brings intellectual leadership to the application of new economic programs in and for Vermont. His essay “The Real Economy” outlines a vision for an “economics of permanence,” to use Schumacher’s phrase.

Gar Alperovitz’s new book, America Beyond Capitalism, is one of the most important records we have of achievements that have been made in creating new economic structures. In his chapter on worker-owned businesses, reprinted in this issue, he reminds us that “[o]ne factor which has contributed to the rise of employee-owned firms is that multinational corporations often must seek the very highest profit they can make on invested capital—whereas workers living in a community are happy with substantial profits (rather than the highest possible) since the other benefits of keeping a plant in town far outweigh differences in profit rates.”

This certainly touches on the core of the matter. Local currencies, community land trusts, worker owned businesses are all important tools for shaping economies. Yet ultimately the health and vitality of a local economy will depend on the affection that the citizens of a region have for their neighbors and neighborhoods; for the fields, forests, mountains and rivers of their landscapes; for the local history and culture that binds these all together; and for their common future.

The future of Vermont’s economy is in the hands and hearts of its citizens. •

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From Common Wealth to Common Property

By Peter Barnes

We all know what private wealth is, even if we don’t own much. It’s property we inherit or accumulate individually, including our fractional claims on corporations and mutual funds. When President Bush speaks of an “Ownership Society,” it’s this kind of wealth he has in mind.

But there’s another trove of wealth that’s not so well known: our common wealth. Each of us is the joint recipient of a vast inheritance. This shared inheritance includes air and water, habitats and ecosystems, languages and cultures, science and technologies, social and political systems, and quite a bit more. Though the value of these manifold gifts is hard to calculate, it’s safe to say they’re worth trillions of dollars. Indeed, according to Friends of the Commons, their aggregate value probably exceeds that of everything we own privately.

There is, of course, a qualitative difference between private and common wealth. Private wealth is normally propertized, common wealth is generally not. You can sell shares of private stock and walk away with cash; you can’t do that with shares of sky. We humans have a long tradition of enjoying gifts of nature and society without legally owning them.

It would be sad to end this or any other good tradition. But in some cases, end it we must, for the following reason: much un-owned common wealth is in grave danger. It’s in danger both of physical destruction and of enclosure by private corporations (with the latter often leading to the former). Un-owned air gets polluted; un-owned genes get patented. Because of capital’s ceaseless quest to grow, anything valuable that isn’t legally nailed down will sooner or later be grabbed or consumed.

We could rely on government to protect our common wealth, but that would be to misplace our trust. Government is, most of the time, the handmaiden of profit-maximizing, cost-externalizing capital. Far better, when we have a chance, to lock up common wealth as common property, to be passed on, undiminished, from one generation to the next.

What are the advantages of doing this? Property rights are powerful human inventions. In essence, they’re social agreements to grant certain people (owners) enforceable privileges. Once established, they’re constitutionally protected and very difficult to take away. If private owners use property rights to protect their wealth, why shouldn’t we as common owners do so too?

Because property rights are so powerful, it’s largely through them that economies are shaped. Feudal economies were based on large estates passed from lords to their eldest sons, alongside commons that sustained the commoners. As capitalism emerged, the commons were enclosed and a slew of new property rights were concocted, almost all designed to confer some advantage on capital owners.

Common property – as distinct from common wealth and from individual or government property – has a long though little-known history. Frequently it is property owned by a community – a tribe, a village, a people. Individual rights to share in the property depend on membership. If you’re born into the community, your share is a birthright. Conversely, if you leave the community or die, you lose your rights. Shares aren’t saleable to strangers as they are with corporate stock.

Common property is normally managed as a unit on behalf of the whole community. Moreover, future as well as living generations are typically taken into account by the managers. A classic case is the medieval common pasture; its survival for centuries, contrary to the ‘tragedy’ myth, is the ultimate example of sustainable management.

What forms might common property take today? The answer, as you might expect, is varied: conservation easements and outright ownership by land trusts, birthrights to property income (à la the Alaska Permanent Fund), “copyleft”s that allow non-commercial reproduction (à la Creative Commons licenses), open access and “common carrier” guarantees, pollution permits, “time dollars” and more. Some of these rights would be tradable, others wouldn’t. Management of the rights would be placed in the hands of trusts, non-profit corporations and hybrid entities of various sorts. Managers would be driven not by profit-maximization, but by community-based criteria.

I’d nominate four to the top: (1) preserve common assets, such as gifts of nature, for future generations; (2) live off income from shared gifts, not principal; (3) distribute income from shared gifts on a one-person, one-share basis; and (4) the more the merrier.

Such common property rights would represent the “we” side of the human psyche, just as private property rights represent our “me” side. Both sides, I’d argue, need representation in our economy more or less equally. Common property rights would also manifest our connection to ecosystems, future generations and non-human species, crucial interests that, at present, have no traction in the marketplace.

While the main reason we need common property is to save the planet, there’d be ancillary benefits as well. These include non-labor income for all, a more vibrant culture and a less distorted democracy. These benefits would arise because well-managed common wealth adds to well-being in ways private property can’t.

The bottom line is this: a true Ownership Society would protect both our private and our common wealth. George Bush isn’t likely to build it, but over time, we can. •
A Direct Stake In Economic Life: Worker-Owned Firms

By Gar Alperovitz

That individuals work harder, better and with greater enthusiasm when they have a direct interest in the outcome is self-evident to most people. The obvious question is: Why aren’t large numbers of businesses organized on this principle?
The answer is: In fact, thousands and thousands of them are. Indeed, more Americans now work in firms which are partly or wholly-owned by the employees than are members of unions in the private sector!

Appleton (Co.) in Appleton, Wisconsin, a world leader in specialty paper production, became employee-owned when the company was put up for sale by Arjo Wiggins Appleton, the multinational corporation which owned it – and the 2,500 employees decided they had just as much right to buy it as anyone else. Reflexite, an optics company based in New Avon, Connecticut, became employee-owned in 1985 after 3M made a strong bid for the company and the founding owners, loyal to their workers and the town, preferred to sell to the employees instead.

One factor which has contributed to the rise of employee-owned firms is that multinational corporations often must seek the very highest profit they can make on invested capital, whereas workers living in a community are happy with substantial profits (rather than the highest possible) since the other benefits of keeping a plant in town far outweigh differences in profit rates. (Often, of course, when employees take ownership, the change produces greater efficiency – and greater profits than those which the multinational registered.)

A major boost to employee-ownership came from passage in 1974 (and thereafter) of federal legislation providing special tax benefits to “Employee Stock Ownership Plans” (ESOPs), the legal structure which most such firms now utilize. Technically an ESOP involves a “Trust” which receives and holds stock in a given corporation on behalf of its employees.

At the core of the ESOP idea is the basic financing concept urged by Louis Kelso for broadening the ownership of wealth – namely, if some form of guarantee or collateral can be arranged to provide loans for productive investment, new wealth ownership by diverse groups (in this case employees of a firm) can be developed and paid for by the profits which the investment itself generates.

Although ESOPs based on this principle date from the 1950s, the modern federal legislation gave tax incentives to corporations contributing stock to an employee trust – and, importantly, also provided benefits to retiring owners of businesses who sell their corporation to employees and reinvest the proceeds within a defined time frame.

There are approximately 11,000 ESOPs now operating in communities in all regions of the United States. Asset holdings total more than $400 billion. The National Center for Employee Ownership (NCEO) estimates that total worker holdings (of all forms of stock ownership and stock options) reached approximately $800 billion in 2002 – i.e., roughly 8 percent of all U.S. corporate stock.

W. L. Gore – the maker of Gore-Tex apparel – is one of the most impressive modern ESOPs. The company, owned since 1974 by (currently 6,000) worker-owners in 45 locations around the world, has no “bosses” or formal titles. To ensure communication and innovation, those working at any one site number no more than 200. Depending on their particular skills, workers may lead one task one week and follow other leaders the next week; teams disband after projects are completed, with team members moving on to other teams. W. L. Gore revenues totaled $1.2 billion in 2002; the firm regularly ranks on the Fortune “Best Companies to Work For” list.

Another impressive ESOP, Weston Solutions, Inc., is the second-largest environmental firm in the country. Its highly specialized services range from forestry and urban planning to high-hazard nuclear and chemical-waste cleanups. The company has helped to clean up asbestos, lead paint, school buildings from New York and Chicago to Decatur, Alabama. It was the lead information technology contractor in recovery operations after the space shuttle Columbia disaster. The company is 100-percent owned by its 1,800 employees. In recognition of its creative structure and its “consistent record of profitability, growth, and financial stability,” Weston received the Environmental Business Journal’s top “gold” award for 2003.

ESOP groups are also common in other non-specialized areas: Fetter Printing Company in Louisville, Kentucky, is 100-percent owned by its 200-plus workers. The firm has annual revenues of $17.5 million and was recently ranked as one of the top 25 printers in the United States. Fastener Industries in Berea, Ohio, is owned by more than 100 worker-owners. Machinists who have participated in the ESOP since 1980 commonly receive the equivalent of an additional three-months pay in dividends each year and retire with personal shareholding accounts of up to $350,000. Parametric – 100-percent owned by over 350 employees – is an environmental engineering firm headquartered in Sumner, Washington. The company was recently selected as one of the best companies to work for in Washington State – and was named 2001 national ESOP of the Year by the ESOP Association. In Harrisonburg, Virginia, ComSonics – 100-percent owned by 160 employees – makes cable television (CATV) test and analysis devices and boasts the largest CATV repair facility in the U.S.

A 1998 survey of Washington state firms found that median hourly pay in ESOP firms was 12-percent higher than pay for comparable work in non-ESOP firms. Worker-owners of ESOPs also ended their careers with almost three times the retirement benefits of others with similar jobs. A 1990 study by the National Center for Employee Ownership estimated that an employee making $20,000 a year in a typical ESOP would accumulate $31,000 in stock over 10 years – no small feat considering that the median financial wealth was just $11,700 during this period. A 2000 Massachusetts survey found ESOP accounts averaging just under $40,000.

It is also clear that ESOPs – and worker ownership in general – have broad political appeal for both practical and philosophical reasons. The ESOP concept has been endorsed by (among others): Ronald Reagan, Ralph Nader, Mario Cuomo, William F. Buckley, William Greider, Jack Kemp, Richard Gephardt, Mikhail Gorbachev and Coretta Scott King. Both parties backed the tax legislation which now provides over $2 billion in annual support to ESOPs. Other forms of federal help include loan guarantees and the financing of worker-ownership feasibility studies in the event of plant closures or major layoffs.

A number of programs funded by states also provide support for worker ownership. One of the most widely recognized, the Ohio Employee Ownership Center, conducts feasibility studies for potential independent worker buy-outs and for transition buy-outs from retiring owners. The Michigan Workforce Transition Unit offers employee-ownership efforts feasibility-assessment assistance. Massachusetts funds the quasi-governmental Commonwealth Corporation which provides technical and financial assistance to firms seeking to establish an ESOP.

The extraordinary growth of ESOPs over the last 30 years has brought with it growing sophistication, the development of expert advisory and technical-assistance organizations, a group of advocates and a group of critics, and – importantly – an expanding and diverse constituency interested in next-stage development of the institution.

Critics of ESOPs commonly decry the lack of democratic control offered to workers in most trust arrangements. They point out that unlike such a leader as W. L. Gore, many – indeed, most – ESOPs do not involve real participation; they often function mainly as a tax-favored legal mechanism to help employees accumulate additional assets over time. (It is estimated that only between a quarter and a third of ESOP companies pass through full voting rights to worker shareholders.)

Moreover, since ESOPs commonly award stock in proportions related to wage and salary levels, they do little to improve overall compensation ratios,
and in some cases actually increase internal firm disparities due to compounding effects when stock values increase or dividends are received.

Several considerations suggest that greater democratic control of ESOPs is likely to develop as time goes on – hence, also open the way for broader support. First, a significant share of ESOP companies (some 3,000, or nearly 30 percent of ESOPs in privately held companies) are already majority-owned by workers. Of these, 40 percent already pass voting rights through to plan participants. Second, as workers within specific firms steadily accumulate stock they become majority owners as time goes on. NCEO surveys reveal that the proportion of privately held ESOPs which are majority-owned increased approximately 50 percent during the past decade.

It is conceivable that as more and more ESOPs become majority-owned, workers will simply ignore the fact that some have little power. On the other hand, the more likely probability – as Business Week observed in 1991 – is that ultimately workers “who own a significant share of their companies will want a voice in corporate governance.” In Ohio (which has been closely studied) a survey completed in the mid-1990s found that 53 percent of majority-owned ESOPs passed through voting rights. It also found that employee ownership was becoming more democratic over time, with three times as many closely held companies passing through full voting rights to ESOP participants as had occurred in a previous 1985-1986 survey.

The third and perhaps most important reason to expect change is that several studies demonstrate that greater participation leads to greater productivity gains, in some cases over 50 percent. The number of ESOP-style worker-owned firms increased from 1,600 in 1975 to 4,000 in 1980, to 8,080 in 1990 and, as we have noted, to roughly 11,000 in 2002. The number of worker owners involved rose, correspondingly, from a mere 248,000 in 1975 to 8.8 million in 2002. There is no question that the feasibility and efficiency of wealth-owning through worker institutions has been demonstrated, and that the basic concept has great potential for future expansion.

Likely directions for next-stage development have been suggested by systematic proposals put forward on both left and right. During the Clinton Administration one expert (Joseph Blasi) developed a comprehensive package which included tax and other benefits, and substantial support for state-based technical assistance efforts. The Blasi plan also proposed restructuring tax benefits to redress the greater concentration of ownership among higher-paid employees as a result of awarding stock in amounts related to salary and wage level.

One of the most conservative Republican members of Congress, Dana Rohrbacher, has gone further. Rohrbacher has introduced legislation – The Employee Ownership Act of 2001 – the goal of which is to have “30 percent of all United States corporations . . . owned and controlled by employees of the corporations” by 2010. The proposed legislation would define a new entity, the “Employee Owned and Controlled Corporations” (EOCC, which Rohrbacher calls “ESOPlus-plus”), in which over 50 percent of stock is held by employees, 90 percent of regular employees are enrolled in the plan, and all employees vote their stock on a one-person, one-vote basis. Various tax benefits would encourage adoption of the ESOPlus-plus form.

The development in the 1970s and 1980s of broad Democratic and Republican political back-
Stories about the economy typically focus on Gross Domestic Product (GDP), jobs, stock prices, interest rates, retail sales, consumer confidence, housing starts, taxes and assorted other indicators. We hear things like “GDP grew at a 3-percent rate in the fourth quarter, indicating a recovering, healthy economy” but with room for further improvement.” Or, “The Fed raised short-term interest rates again to head off inflation.”

But do these reports, and the indicators they cite, really tell us how the economy is doing? What is the economy, anyway? And what is this economy for?

Conventional reports on these questions are rather narrow. The “economy” we usually hear about refers only to the market economy – the value of those goods and services that are exchanged for money. Its purpose is usually taken to be to maximize the value of these goods and services – with the assumption that the more activity, the better off we are. Thus, the more GDP (which measures aggregate activity in the market economy), the better. Likewise, the more contributors to GDP (such as retail sales and salaries paid to employees), the better. Predictors of more GDP in the future (such as housing starts and consumer confidence) are also important pieces of information from this perspective. Declining or even stable GDP is seen as a disaster. Growth in GDP is assumed to be government’s primary policy goal and also something that is sustainable indefinitely.

But is this what the economy is all about? Or more accurately, is this all that the economy is about? Or is this what the economy should be about? The answer to all of these is an emphatic no. Here’s why.

Let’s start with purpose. The purpose of the economy should be to provide for the sustainable well-being of people. That goal encompasses material well-being, certainly, but also anything else that affects well-being and its sustainability. This seems obvious and non-controversial. The problem comes in determining what things actually affect well-being and in what ways.

There is substantial new research on this “science of happiness” that shows the limits of conventional economic income and consumption in contributing to well-being. In his 2003 book The High Price of Materialism, psychologist Tim Kasser points out, for instance, that people who focus on material consumption as a path to happiness are actually less happy and even suffer higher rates of both physical and mental illnesses than those who do not. Material consumption beyond real need is a form of psychological “junk food” that only satisfies for the moment and ultimately leads to depression, Kasser says.

Economist Richard Easterlin, a noted researcher on the determinants of happiness, has shown that well-being tends to correlate well with health, level of education and marital status, and not very well with income. He concludes in a recent paper in the Proceedings of the National Academy of Sciences that: People make decisions assuming that more income, comfort, and positional goods will make them happier, failing to recognize that hedonic adaptation and social comparison will come into play, raise their aspirations to about the same extent as their actual gains, and leave them feeling no happier than before. As a result, most individuals spend a disproportionate amount of their lives working to maintain money and sacrifice family life and health, domains in which aspirations remain fairly constant as actual circumstances change, and where the attainment of one’s goals has a more lasting impact on happiness. Hence, a reallocation of time in favor of family life and health would, on average, increase individual happiness.

British economist Richard Layard’s 2005 book, Happiness: Lessons from a New Science, echoes many of these ideas and concludes that government policies are not improving happiness and that “happiness should become the goal of policy, and the progress of national happiness should be measured and analyzed as closely as the growth of GNP.”

Economist Robert Frank, in his 2000 book Luxury Fever, also concludes that the nation would be better off – overall national well-being would be higher, that is – if we actually consumed less and spent more time with family and friends, working for our communities, maintaining our physical and mental health, and enjoying nature.

On this last point, there is substantial and growing evidence that natural systems contribute heavily to human well-being. In a paper published in 1997 in the journal Nature, my co-authors and I estimated the annual, non-market value of the earth’s ecosystem services is $33 trillion globally, substantially larger than global GDP. The just-released U.N. Millennium Ecosystem Assessment is a global update and compendium of ecosystem services and their contributions to human well-being.

So, if we want to assess the “real” economy – all the things which contribute to real, sustainable, human welfare – as opposed to only the “market” economy, we have to measure the non-marketed contributions to human well-being from nature, from family, friends and other social relationships at many scales, and from health and education. One convenient way to summarize these contributions is to group them into four basic types of capital that are necessary to support the real, human-welfare-producing economy: built capital, human capital, social capital, and natural capital.

The market economy covers mainly built capital (factories, offices, and other built infrastructure and their products) and part of human capital (spending on labor), with some limited spillover into the other two. Human capital includes the health, knowledge and all the other attributes of individual humans that allow them to function in a complex society. Social capital includes all the formal and informal networks among people: family, friends, and neighbors, as well as social institutions at all levels, like churches, social clubs, local, state, and national governments, NGOs, and international organizations. Natural capital includes the world’s ecosystems and all the services they provide. Ecosystem services occur at many scales, from climate regulation at the global scale, to flood protection, soil formation, nutrient cycling, recreation, and aesthetic services at the local and regional scales.

So, how has the real economy been doing recently compared to the market economy? The short answer is, not so good. How do we know? One way is through surveys of people’s life satisfaction, which has been decreasing slightly since about 1975. A second approach is an aggregate measure of the real economy that has been developed as an alternative to GDP called the Genuine Progress Indicator, or GPI.

Let’s first take a quick look at the problems with GDP as a measure of true human well-being. GDP is not only limited – measuring only marketed economic activity or gross income – it also counts all of this activity as positive. It does not separate desirable, well-being-enhancing activity from undesirable well-being-reducing activity. For example, an oil spill increases GDP because someone has to clean it up, but it obviously detracts from society’s well-being. From the perspective of GPI more crime, more sickness, more war, more pollution, more fires, storms, and pestilence are all potentially good things, because they can increase market activity in the economy.

GDP also leaves out many things that do enhance well-being but are outside the market. For example, the unpaid work of parents caring for their own children at home doesn’t show up, but if these same parents decide to work outside the home to pay for child care, GDP suddenly increases. The non-marketed work of natural capital in providing clean air and water, food, natural resources and other ecosystem services doesn’t adequately show up in GDP other than if those services are damaged and we have to pay to fix or replace them, then GDP suddenly increases. Finally, GDP takes no account of the distribution of income among individuals. But it is well known that an additional $1 worth of income produces more well-being if one is poor rather than rich. It is also clear that a highly skewed income distribution has negative effects on a society’s social capital.

The GPI addresses these problems by separating the positive from the negative components of marketed economic activity, adding in estimates of the value of non-marketed goods and services provided by natural, human, and social capital, and adjusting for income-distribution effects. While it is by no means a perfect representation of the real well-being of the nation, GPI is a much better approximation than GDP. As Amartya Sen and others have noted, it is much better to be approximately right in these measures than precisely wrong.

Comparing GDP and GPI for the US shows that while GDP has steadily increased since 1950, with the occasional dip or recession, GPI peaked in about 1975 and has been gradually decreasing ever since. From the perspective of the real economy, as
opposed to just the market economy, the U.S. has been in recession since 1975. As already mentioned, this picture is also consistent with survey-based research on people’s stated life-satisfaction. We are now in a period of what Herman Daly has called “un-economic growth,” where further growth in marketed economic activity (GDP) is actually reducing well-being on balance rather than enhancing it. In terms of the four capitals, while built capital has grown, human, social and natural capital have declined or remained constant and more than canceled out the gains in built capital.

During the last four years, the decline in domestic GPI has picked up speed. While U.S. GPI was beginning to trend upward again at the end of the Clinton years, the policies of the Bush administration have lead to a significant worsening of income distribution (thereby further decreasing social capital), an increasing depletion of natural capital, and worsening human capital through decreased spending on education and health and loss of jobs. And the Bush team has certainly not compensated for these negatives with a stellar performance in the built capital component (GDP). While the dollar incomes of some wealthy individuals may have improved over this period, the overall well-being of the nation has significantly declined. Further, the psychological evidence is that even the well-being (as opposed to income) of the wealthy individuals has probably not improved very much and may even have declined. From the perspective of the real economy, the country is in rapidly worsening shape.

Is the news all bad? No. We recently estimated the GPI of the State of Vermont and of Burlington, the state’s largest city, and found that Vermont’s and Burlington’s GPI per capita had increased over the entire 1950-2000 period and is now more than double the national average. This was due to Vermont’s attention to protecting and enhancing natural, human, and social capital in balance with gains in built capital — accomplished through the application of strong, local democratic principles and processes still actively at work in Vermont.

The lesson from Vermont, and from similar analyses done at the regional level in other locales, is that there is significant variation across the country in trends in well-being and quality of life, and plenty of good examples we can learn from to improve the overall well-being of the country.

How can we apply these lessons to get out of the real recession in human well-being at the national scale that we have been in since 1975? Several policies have been suggested that would help to turn things around:

Shifting our primary national policy goal from increasing marketed economic activity (GDP) to maximizing national well-being (GPI or something similar). This would allow us to see the interconnections between built, human, social, and natural capital, and build well-being in a balanced and sustainable way.

Reforming the tax system to send the right incentives by taxing negatives (pollution, depletion of natural capital, over-consumption) rather than positives (labor, savings, investment). Recent tax reforms have decreased well-being by promoting a greater income gap, natural resource depletion, and increased pollution.

Reforming international trade to promote well-being over mere GDP growth. This implies protecting natural capital, labor rights, and democratic self-determination first and then allowing trade, rather than promoting the current trade rules that ride roughshod over all other societal values and ignore all non-market contributions to well-being.

Implementing local complementary currency systems to encourage more local economic activity and help build social capital. There are more than 4,000 local currency systems in operation today, including “Ithaca hours” in Ithaca, N.Y., and “Burlington Bread” in Burlington, VT. While these systems have so far not played a major role in local economies, the potential for their expanded use is huge.

Further reforming campaign-finance laws so that the needs and welfare of individuals are more fully and accurately expressed in the national democratic process, rather than the needs and welfare of those who currently fund political campaigns. As Tom Prugh, Herman Daly and I have argued in our book The Local Politics of Global Sustainability, implementing strong democracy (as opposed to the weak and ineffective sham of democracy we currently see at the national scale) is an essential prerequisite to building a sustainable and desirable future.

Ultimately, getting out of our 25-year recession in well-being will require us to look beyond the limited definition of the “economy” we read about in the newspapers, and recognize what the real economy is and what it is for. We must not allow deceptive accounting practices — analogous to those that caused the Enron and WorldCom debacles — to paint an inaccurate and ultimately destructive picture of how “well” we are doing. Alternatives are available, but they need significant further discussion and research.

With nothing less than our current and future well-being at stake, we can certainly afford to devote greater effort to learning how to adequately understand and measure it. If we want the things that really matter to our well-being to count, we must learn how to recognize and count them, and use that information to inform policy in a real democracy.

News of a Second Vermont Republic

By Jane Dwinell

Thanks to several generous donors, the Second Vermont Republic is now in the process of revamping our website. The new website will be more interactive and more user-friendly, with links, and articles, news clips, archives, stuff to buy, and other surprises down the line. We are hoping to make it easier for folks to join the organization, and to learn more about the facts around secession — both in Vermont and around the world. Thanks to the creative web designers at Figrig Web Crafters of Montpelier for helping us with this process.

As we build momentum, a website is a vital tool for connecting, educating, entertaining and inspiring. We need the help of each and every one of you — and your friends, neighbors, co-workers, and allies — if we are to succeed in creating a better Vermont, an independent Vermont.

The new website is just the first step down this road. Look for it soon. Let us know what you think of the new look, and the new features.

By the time this issue of Vermont Commons is in your hands, our first annual Vermont Independence Parties in honor of Vermont History and Independence Month will have happened on January 14. Look for a future issue of VC to let you know what happened if you were unable to participate — or check the website for what the media had to say.

Just ahead will be the events on March 4, commemorating Vermont Statehood Day — that day in 1791 when Vermonters gave up their independent republic and joined the United States as the fourteenth state. We have all kinds of ideas up our sleeves, but it’s too soon to let you know exactly what will happen. Be prepared for anything.

We are also in the process of setting up a Speaker’s Bureau. We are happy to speak to any organization to which you belong — civic clubs, churches, craft groups, the Grange, unions, the Kiwanis, Rotary Clubs — you name it. Secession, and the practical changes that will come from being independent of the U.S. government, will affect all Vermonters, so all Vermonters should find out about what we’re doing. Let us know of your particular needs.

As we continue to educate and inspire, we are especially in need of your contributions. Creating social change takes money, and we are appreciative of your memberships and your subscriptions. And if you, or any of your friends, wish to donate further to the cause, let us know; we have several projects in need of financing.

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Advertise with Vermont Commons

Vermont Commons is distributed every month in the Vermont Guardian and at select locations throughout the state, with a current circulation of 8,000 in print and many more online.

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The gap between wealth and poverty is growing in the U.S., because policies to stabilize the lives of the poor and people of color do not focus on long-term solutions. Our economy is unstable, in an inflationary spiral that continues to raise the cost of basic goods, including food, gasoline, medicine and health care. Most depressing is the lack of affordable housing for the poor, working and unemployed, and seniors with limited retirement income. The severity of the shortage of affordable housing has multiplied in recent years. Barbara Ehrenreich demonstrated the stark reality of the situation facing low-income wage earners in her book Nickel and Dimed in America. She found from personal experience that in today’s America, two incomes are required in order to live “indoors,” let alone reside in safe, adequate housing. Fortunately, with the development of permanently affordable housing, the opportunity to earn equity, while limiting appreciation to ensure an opportunity for lower-income people to maintain their interests with those of the individual, providing the means to build the equity of an absentee landlord through rental payments. However, rather than gaining a one-time windfall should the home value appreciate substantially, the seller foregoes this full capital gain in order to retain affordability for the next CLT homeowner. The CLTs long-term interest in the land and property assures that this balance of interests is maintained and community wealth is retained. The value of public subsidies used to develop the affordable housing are permanently tied to the housing, thus recycling subsidy dollars from owner to owner, assuring long-term affordability and community benefit.

The CLT Model

Thirty-eight years ago, Bob Swann and Ralph Bor sodi developed the Community Land Trust model, arising from their concerns related to poverty and land tenure. The model, drawn from the Indian grandan land-reform movement, was conceived as a democratically controlled institution that would hold land for the common good of any community, while making it available to individuals within the community through long-term leases. Over the years, the model has evolved and been applied primarily to the development of permanently affordable housing within intentional communities and more broadly in urban, suburban and rural communities across the country. Terms within the ground lease balance community interests with those of the individual, providing an opportunity for lower-income people to earn equity, while limiting appreciation to ensure affordability for future lower-income homebuyers.

According to the classic CLT model, the trust is a geographically defined, membership-based, nonprofit organization created to hold land for public purposes – usually for the creation of permanently affordable housing. Like a conservation land trust, a CLT acquires land with the intention of holding it in perpetuity. A central feature of the model is a dual ownership structure whereby the CLT owns the land, but individuals, public or private organizations own the buildings located on the land. Through long-term, renewable ground leases, each party’s ownership interest in the land is protected. The CLT retains the ability to repurchase any improvement on the land through a resale formula written into the lease, limiting resale value to maintain affordability. The lease also enables the CLT to impose further restrictions which maintain housing quality and neighborhood stability – such as requiring that homes be owner-occupied, preventing absentee landlordism. The ground lease is equally protective of the individual homeowner’s interests, providing long-term security, while at the same time providing an opportunity to build equity and benefit from a portion (typically 25 percent) of the appreciation on the home, should property values increase.

By removing the cost of the land from the home price and bringing further cost reductions through government-provided affordable housing subsidies, the CLT brings homeownership within the reach of lower-income families (CLTs generally seek to serve families earning less than 80 percent of area median income). The interests of the individual homeowner are linked with the desire to maintain a permanent stock of affordable housing for future families in need. The homeowner gains the opportunity to earn equity through monthly mortgage payments, rather than building the equity of an absentee landlord through rental payments. However, rather than gaining a one-time windfall should the home value appreciate substantially, the seller foregoes this full capital gain in order to retain affordability for the next CLT homeowner. The CLTs long-term interest in the land and property assures that this balance of interests is maintained and community wealth is retained. The value of public subsidies used to develop the affordable housing are permanently tied to the housing, thus recycling subsidy dollars from owner to owner, assuring long-term affordability and community benefit.

The governance structure of the CLT is an important aspect of this stewardship. The classic CLT structure has a community-based membership open to all adult residents within its defined geographic region – often a neighborhood, city or county. The CLT is governed by an elected, tripartite board that shares governance equally among leaseholders residing on CLT-owned land; nearby residents who do not live on CLT-owned land; and public officials, local funders, non-profit professionals and others representing the public interest who bring to the board essential skills and abilities needed for effective nonprofit administration.

The Dudley Street experience

I first became aware of the Community Land Trust model during my tenure as the director of Boston’s Dudley Street Neighborhood Initiative (DSNI). This initiative grew out of the community’s concerns about a new Redevelopment Area plan which was being brought forth supposedly to raise the quality of life for the residents, through improvements such as housing, open space, recreation and cultural institutions. When this planning process became public, the community came out in large numbers to voice its opinion as to what the planning process ought to be, and why a method had to be imposed that would assure the community’s input in all pertinent planning decisions and protect current residents’ ability to enjoy the improvements into the future.

The majority of residents in the Dudley area were low-income, and many of them remembered previous redevelopment processes in the West End and South End of Boston, which had resulted in their displacement due to gentrification. The plans’ promise of improvements to these neighborhoods was not realized by these residents, who were gentrified out due to rising housing costs and limited affordable rental housing. The Dudley area residents did not want to see this result repeated yet again, insisting on a process whereby they could participate in designing the community plan and improvements. At the heart of their concerns was the desire to provide permanent ownership opportunities for the lower-income residents of the neighborhood.

Through a series of policy firsts, DSNI became the first community nonprofit organization in the country to be awarded eminent domain powers over vacant land in a 1.3 square mile area of the city of Boston. Through a seldom-used statute on the books in Massachusetts known as “special study status,” the community plan became the zoning plan for the area. Having received eminent domain rights over 30 acres of land, DSNI sought a mechanism to assure permanent affordability and discovered the Community Land Trust model. We invited the Institute for Community Economics, the national intermediary for CLTs, to assist us with the process.

What we learned was that the CLT did much more than provide a mechanism to hold the land. It provided a means to stabilize lives and the community through homeownership. As is the case for the majority of the nation’s lower-income inner-city residents, the families of the Dudley Street neighborhood had little or no control over their own housing — the most fundamental aspect of household security. With no opportunity to own their own homes, they were forced to live in sub-standard absentee-owned rental housing, subject to displacement when and if rents increased beyond their means. In addition to the stability of homeownership, Dudley area residents sought to

Vermont has some of the most active community land trusts in the country, in large part due to state funding provided by a transfer tax on real estate sales. The proceeds from the tax are dedicated to support conservation and affordable housing initiatives within the state. The concept is that monies raised from the speculative gain on land should be applied to key land-use concerns, retention of diverse ecological landscape and maintenance of housing affordable for Vermont workers. With more than 2,500 members, the Burlington Community Land Trust (www.bclt.net) is one of the oldest, largest, and most innovative CLTs, providing a model for other regions.
take control of the neighborhood outside their windows — to deal with abandoned property, to stop illegal dumping, to stop providing havens for drug dealers and other criminal activity.

Dudley Street has become a renowned example of the power of truly participatory community-building for the long term, which addresses the fundamental policies and practices that have caused poverty and decline in cities across the country. Through the community-controlled land trust, the residents were able to create a vibrant multicultural community, developing hundreds of affordable homes and providing an opportunity for residents to personally benefit from the community revitalization they themselves planned. The land trust, with its ground lease and resale formula, has been proven to empower people by providing an opportunity for homeownership and equity generation that is normally out of reach for lower-income, largely minority residents.

The racial wealth gap
In his highly acclaimed book, The Hidden Cost of Being African American: How Wealth Perpetuates Inequality, Brandeis University sociologist Thomas Shapiro presents an extensive analysis of the wealth gap from a perspective of race and discrimination in America. His central argument is that family wealth/inherited assets are the key source of the wealth gap, as the black-white earnings gap due to income discrimination has narrowed considerably since the 1960s. As the primary asset for most families, housing is the most salient source of the wealth gap. Lacking the “transformative” asset of family wealth, African-American families must rely on their income and personal savings to qualify for a home mortgage. In contrast to white families with a similar income level, who often benefit from their parents’ wealth through inheritance or other financial assistance when the time comes to buy their first homes, African-American families do not have access to this “leg up.” They pay higher interest rates and incur additional costs for mortgage insurance, and as a result build less equity over time. With each successive generation this gap increases.

As schools and social services are tied to residence location, the wealth gap is effectively leading to ever-greater racial segregation. The current way we fund and provide access to services produces, in Shapiro’s words, a “privatized notion of citizenship in which communities, families and individuals try to capture or purchase resources and services for their own benefit rather than invest in an infrastructure that would help everyone.”

By creating shared stewardship of land and a mechanism for the wealth generated through housing appreciation to be shared from one lower-income family to another, the CLT offers an antidote for these interrelated problems. The land trust can, in effect, substitute for inherited wealth, and thus has the potential to address the racial wealth gap in this country. Examples like Dudley Street demonstrate the ability of the CLT to change the dynamics, to provide opportunity for all residents, to prevent displacement, gentrification and the associated racial segregation.

Faced with an administration that seems focused, more than any in recent memory, on increasing the wealth of the top few at the expense of the many, we have little choice but to find our own solutions and implement them. In my new role as executive director of the Institute for Community Economics, I hope to raise awareness about the potential for community land trusts to level the playing field, creating opportunities for people of color. Dudley Street is the quintessential melting pot, a laboratory where the CLT model has been tested and proven to provide opportunity across race lines. •

This article was originally published in the Newsletter of Poverty and Race Research Action Council and used here with their kind permission (pprac.org).

EDITOR’S UPDATE
I reached Gus Newport in Gulfport, Mississippi, where he is working with residents to apply the CLT model to the rebuilding of traditionally African-American neighborhoods devastated by the hurricane. The North Gulfport and Turkey Creek communities were purchased and settled by freed slaves in 1866 and quickly grew into vibrant, self-sufficient neighborhoods made up of farms and small homesteads, surrounded by the marshland which was the natural protection against hurricanes.

By the 21st century development pressures were taking their toll. Higher taxes meant long-time residents were losing their single-family homes to foreclosure to be replaced by infrastructure improvements to benefit tourism. Wetlands were being filled to build casinos, damaging natural defenses. A group of residents began steps to organize the North Gulfport Community Land Trust and Turkey Creek Community Initiatives to repurchase land at foreclosures in order to ensure that housing remains affordable to traditional African-American families, while maintaining the historic nature and scale of buildings, and protecting wetlands. It was a big undertaking.

After the wrath of the hurricanes, these fledging organizations are proving an important way for these communities to pull together to make their voices heard in the rebuilding effort. Gus is there to help. The tendency of a federal response to an emergency situation is to make it easy for large developers. Take the land by eminent domain, tear everything down and build strip malls and casinos for a newly envisioned tourist industry. Local people, local jobs, local culture, and local ecology are excluded from this vision of development.

The residents of North Gulfport and Turkey Creek know that it was their neighbors and friends who helped them through the trials of flooding and storm damage, not the government agencies. Their roots run deep, associations are long-lasting, and love of place is entwined with love of family. They will stay and rebuild. The rebuilding will reflect who they are as a people – predominantly African-American single-family homeowners with generational roots.

The CLT concept is a way of organizing and protecting that rebuilding so that the land, and decisions about its use, remain in local control – an alliance of residents, affordable housing advocates, environmentalists, history enthusiasts, and economists. They envision stable neighborhoods of home ownership and well-paid manufacturing jobs rather than the low-salaried employment of the tourist industry.

Much work is ahead to bring this dream to reality, to resist the pressures of big development schemes, to allow the democratic power of local people to stand against the power of central government bureaucracy. Gus is helping these groups to rally allies to their cause and vision. Once achieved, it will set an important example for other regions facing similar pressures. •

SUSAN WITT, guest editor
The Local Living Economy movement is building an alternative to corporate globalization—a decentralized global network of local living economies composed of independent, community-based businesses. The new movement focuses attention on issues of scale, ownership and commitment to place, which the SRB movement has largely neglected. The Local Living Economy movement also demonstrates the importance of working cooperatively outside of individual companies, often with competitors, to build whole economies of triple-bottom-line businesses.

Businesses in local living economies remain human-scale and locally owned, fostering direct, authentic, and meaningful relationships with employees, customers, suppliers, neighbors and local habitat, adding to the quality of life in our communities. Decentralized ownership spreads wealth more broadly and brings economic power from distant boardrooms to local communities where there is a short distance between business decision-makers and those affected by the decisions.

Local living economies spread business models, not brands. Rather than expanding in the conformist, cookie-cutter style of the industrial era, entrepreneurs seek to diversify business ventures, creatively addressing the needs of their community through new business ventures that increase local self-reliance and sustainability. For example, a restaurant owner may start a retail store selling local food products, or a local ice cream company might join with local dairy farmers to start a yogurt company, rather than growing a chain or national brand.

Many new business opportunities lie within the “building blocks” of local living economies—local food systems, renewable energy, alternative transportation, locally designed and made clothing, recycling and reuse, green building, holistic healthcare, eco-friendly cleaning products, independent retail, local arts and culture, neighborhood tourism, and independent media. Addressing the deeper needs of their communities, local business owners can provide more fulfilling jobs, healthier communities and greater economic security in their region. Success can mean more than growing larger or increasing market-share; it can be measured by increasing happiness and well being, deepening relationships, and expanding creativity, knowledge and consciousness.

**Role of investors**

To provide sufficient capital for growing local living economies, the old paradigm of measuring success simply by maximizing profits must also change for investors. Traditionally, investors seek the highest and quickest return on investment. But should we not also measure a “return” by long-term social and environmental improvement? In a living economy, investors seek a “living return”—one partially paid by the benefits of living in a healthy, vibrant community. By law, publicly owned companies are required to put the financial interests of stockholders above the needs of all other stakeholders. Therefore, even “socially responsible” funds, through screening out weapons manufacturers and tobacco companies, invest in a system that values profits over people and the planet. By choosing stock market investments, citizens take capital out of local economies and give more power and control to board rooms in faraway places, where the well-being of local communities is not a priority. By investing our savings in community funds that loan money at affordable rates to small businesses, neighborhood projects and development, we receive a living return of improving the quality of life in our own communities.

**Toward a positive future**

Unlike publicly held corporations, independent companies share the fate of their communities and are free to make decisions in the interests of all the stakeholders. Local business owners are likely to understand that it is in their self-interest to run their companies in a way that benefits their own neighborhood and natural environment. Adam Smith’s “invisible hand” of the market works well when the self-interest of the business decision-maker is clearly tied to the wellbeing of the community.

Rather than depending on large corporations for basic needs, which gives up economic power and adds to the environmental costs of global transport, living economies produce basic needs—food, clothing, shelter and energy—locally and sustainably. This builds community self-reliance, provides new opportunities for ownership and job creation, and keeps capital within the community. What is not available locally is sourced from community-based businesses and small farms in other regions and countries in an exchange that benefits the communities where products and resources originate. Global interdependence is based on trust and mutual respect rather than exploitative resource extraction and sweatshop labor, and trade is facilitated through an intricate global web of small-to-small, win-win relationships that celebrate what it is to be human.

Through global corporate domination, our Western business model, which takes more natural resources and gives off more pollution than the earth can restore, is being spread globally. Corporate monoculture has no sense of place, and the same chain stores and consumer goods are seen around the world. Locally owned independent retailers such as bookstores, coffee shops, craft stores, dress shops and restaurants give each town and city unique local character. In a system of local living economies, cultural diversity flourishes, local languages are preserved, and what is indigenous to a region is valued for its quality, history and uniqueness.

Lastly, perhaps most importantly, large corporations have historically used militaries to protect their ability to exploit natural resources and cheap labor in less-developed countries, which is often the underlying cause of war. Through equitable and sustainable use of natural resources, local food and energy security, decentralized power and control, and collaboration and understanding of cultural differences, local living economies will gradually build the foundation for lasting world peace.

Around the world, people are speaking out against the destructive role of corporate globalization in our lives—from indigenous uprisings in Mexico and farmers strikes in France, to attacks on McDonald’s in India, and mass protests in Seattle, Washington, Genoa and Cancun. Many people, especially the young, have lost faith in business as a positive force, and need a new vision for the constructive role business can play in our communities. Progressive business leaders are uniquely positioned to articulate this new vision, span the gap between the left and right, and direct the energy of concerned citizens, entrepreneurs and young people toward creating a positive future for our world."
Henderson, continued from page 1

global asset bubbles, declared himself “perplexed.” The anomaly involves the global economic imbalances between the USA – the world’s largest debtor – and the developing countries of Asia and those exporting oil as the world’s new lenders. I doubt there is a “global savings glut” or a “Shift of Thrift” from indebted U.S. households’ zero saving rates to the world’s largest savings – by the rest of the world. To help launch the BerkShare local currency program. Since its founding in 1980, the Society has documented other community credit pioneering, such as Michael Linton’s LETS experiments, Paul Glover’s Ithaca Hours, and other projects all highlighted at its 2004 conference Local Currencies in the Twenty-First Century. Bernard Lietar’s The Future of Money (2001); Lynn Twist’s The Soul of Money (2004); William Krehm’s COMER Newsletter (www.comer.org) and James Robertson and Josef Huber’s Creating New Money (2004).

My bookshelf on alternative economics, barter, credit and currency systems grows on a day-to-day basis, and includes Ralph A. Mitchell and Neil Shafer’s indispensable, eye-opening Standard Catalog of Depreciation Scrip of the United States in the 1930s (Krause Publications, Iola, WI, 1984). It contains thousands of pictures of alternative scrip currencies issued in almost every US state and city and many in Canada and Mexico after the Great Crash of 1929. But when we look at the defrocking of economics, the deconstructing of money systems and the growth of all the healthy local, real-world alternatives is propagating widely. The World Social Forum launched in sunny Porto Alegre in 2000 by Brazilian reformers is one of many such international movements. Argentina’s default in 2001 taught its citizens that they could trust their own local scrip, flea markets and electronic swap systems more than the country’s official currency, the peso. Argentina, Brazil and Venezuela have announced they will repay their IMF loans in full, to free their economies from “Washington Consensus” prescriptions.

I have documented over the years many of the pioneers of money reform, from the Time Store in Cincinnati in the 1890s; Ralph Borsodi’s “Constant Value” in New York in 1932; and during the 1930s “bank holiday.” Vermont’s own Malted Cereals Company scrip, issued in Burlington and the Wolferboro Chamber of Commerce’s scrip in New Hampshire. The Chicago Plan, promoted in the 1930s by University of Chicago economists, sought to reform money-creation by private banks as debt. Through this fractional reserve system, banks are only required to keep less than 10 percent of their capital in reserve. Banks can lend out the rest at interest, simply out of thin air as those loans in their accounting entries! The American Monetary Institute (www.mone-
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Other perennials – E.F. Schumacher’s Small is Beautiful (1973), James Robertson’s Future Wealth (1989), Margo Kennedy’s tireless teachings, and a record of Robert Swann’s work and papers on community economics – are all available at the E.F. Schumacher Society’s Library (www.smallsbeauti-
ful.org). The Society, engaged in both theory and practice, founded the SHARE macro-credit system in 1981, created Deli Dollars and other customer-financing methods in 1989, and is about to help launch the BerkShare local currency program. Since its founding in 1980, the Society has documented other community credit pioneering, such as Michael Linton’s LETS experiments, Paul Glover’s Ithaca Hours, and other projects all highlighted at its 2004 conference Local Currencies in the Twenty-First Century. Bernard Lietar’s The Future of Money (2001); Lynn Twist’s The Soul of Money (2004); William Krehm’s COMER Newsletter (www.comer.org) and James Robertson and Josef Huber’s Creating New Money (2004).

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ful.org). The Society, engaged in both theory and
Economics of Scale vs. the Scale of Economics: Towards Basic Principles of a Bioregional Economy

Economics of scale is what conventional industrial economics are all about, finding ways to more profitably and efficiently exploit nature. But the scale of economics is what the economies of the future must be about, finding ways to live so that healthy communities may foster a healthy earth.

There are only two essentials to consider in coming at the problem of the optimum scale for an economy to produce and distribute goods and services: the natural ecosystem and the human community. An economy that does harm to the natural world – depleting resources, extirpating species, producing pollution, piling up wastes – has grown too large; an economy out of democratic and humanitarian control – where decisions are made by distant corporations and a polity whose choices are beyond individual influence – has grown too large.

An economic scale optimum for the earth’s systems would be based on conservation, stability, sustainability, recycling, harmony. That means, for starters, an economy at a bioregional scale that more or less dictates the economy appropriate to it. An economy based on a watershed, for example, automatically considers downstream populations as wells as headwater ones. The human constructs would adapt to the environment rather than be imposed, and human uses would be confined to those the bioregion allowed.

In Vermont terms, it would be possible to think of the western watershed of the Connecticut River, with all the rivers running eastward from the Green Mountains, as a bioregion. Another bioregion would encompass the watershed to the west of the Green Mountains, to Lake Champlain.

Dairy and general truck farming would naturally be at the heart of the bioregional economy, although if a truly ecological sensibility informs it those farms would not allow the disastrous waste runoff that now pollutes Lake Champlain and other waterways. Nor would they use artificial chemicals and fertilizers, nor allow factory farms of 1,000-plus cows and 100,000-plus hens. An ecologically based agriculture would depend on solar power appropriate to the region, on human-powered machines, on organic pest-management systems, perennial polyculture and permaculture, with markets geared to seasonal and regional foods.

The economic scale desirable for the human community would be one in which decisions about the economy – what is produced, from what resources, by whom, for whom, how distributed, how recycled – are made democratically by towns and bioregions. Most power would locate at the level of the community, where we can imagine effecting basic economic justice: workplace ownership by the employees, workplace democracy for decision-making, and workplace commitment to the surrounding populace – all the things that are impossible with large scales and distant chain store corporations.

And here we come to an essential element of a stable economy that dictates much of its scale: self-sufficiency. If Vermont’s farms were part of a self-sufficient economy, feeding the 620,000 people within its borders as its primary mission, there would not be such a concentration on dairy farms (and the resultant pollution problems), but a greater diversity of animal products and crops, ultimately to the health of the ecosystems.

Self-sufficiency is operable only at a limited scale – say, bioregions of 10,000 to 20,000 square miles – where humans can understand the resources at hand, perceive and regulate the variants in the economy, and ensure that production and distribution is made rational and systematic. In terms of population, too, there is a limit at which self-sufficiency can be achieved.

In research for my book Human Scale, I found that historically self-sufficient communities with economies of some complexity tended to cluster in the 5,000-10,000 population range. Urbanologist Gideon Sjoberg has said that “it seems unlikely that, at least in the earlier periods, even the larger of these cities contained more than 5,000 to 10,000 people, including part-time laborers on the outskirts.” Even when larger cities grew in the 13th and 14th centuries to 20,000 or even 40,000, they were typically divided into quarters—literally four parts – of 5,000 to 10,000 people.

On a modern American scale we might imagine a mixture of somewhat self-sufficient cities within more self-sufficient counties within mostly self-sufficient bioregions within a totally self-sufficient state, and then the economy of self-sufficiency might be quite complex indeed. In terms of Vermont, this might be a mix of relatively self-sufficient cities (Barre, Bennington, Brattleboro, Burlington, Essex, Hartford, Middlebury, Milton, Montpelier, Rutland, South Burlington and Springfield are obvious candidates), within ecologically determined more self-sufficient shires (perhaps the West, Black, White, Wonoski, Lamoille, Passumpsic watersheds), within the two self-sufficient bioregions on either side of the Green Mountains, within the state – whose economy, if independent, could be as self-sufficient as it desired.

Such units would need to be guided by certain maxims to provide a full range of goods and services, and they would need to adhere to them with some ingenuity. But the maxims are simple and thoroughly practical. They would include the principle of sharing at the community level, recycling and repairing (or at a more complex level, remanufacturing) almost everything, an emphasis on handicrafts and bespoke production rather than manufactures and mass production, using raw local (instead of imported) materials, nurturing local ingenuity without patent and copyright restrictions, and agreeing to abandon as unnecessary and undesirable almost everything manufactured at the factory level anywhere and anyhow. All of which is no more complex than the old New England adage: “Use it up, wear it out, Make it do, or do without.”

What follows are what I take to be the essential elements of a philosophy that would guide a bioregional economy, which I have constructed from a wide reading in alternative economics, including E.F. Schumacher’s great range of writings (particularly “Buddhist Economics” in Small is Beautiful) mixed with various economic ideas expressed by the Buddha himself, and ideas I emunciated in the “Economy” chapter of my Dwellers in the Land: The Bioregional Vision (University of Georgia Press).

1. All production of goods or services would be based primarily on a reverence for life, a biocentric understanding that includes animals, birds, insects, plants, trees, the living ecosystems, streams and rivers, forests and wetlands, hills and mountains, clouds and rains – fundamentally Gaia herself, understood as the only living, self-regulating planet in the galaxy.
2. All systems have limits and they must be learned and adhered to in every economic act, overuse, depletion or exhaustion of a resource or species would be seen as a criminal act of violence; overproduction of a resource or a species, such as the human, would be seen as a criminal act of avarice and greed.
3. The primary unit of production would be the self-sufficient community, within a self-regarding bioregion, which would strive to produce all its needs, and essential political and economic decisions would be taken democratically at that level.
4. Consumption would be limited, for the goal of economic life is not the multiplication of wants but the satisfaction of basic needs.
5. Everything produced, and the means of its production, would embody the four cardinal principles of smaller, simpler, cheaper, safer – technology on a human scale, comprehensible, affordable for all, and non-violent.
6. The only jobs would be those that enhance the worker, contribute to the community, and produce nothing but needed goods – and that means goods, not bads.
7. All people who wish to do so would work, for the purpose of work is not to produce things to satisfy wants but to nourish and develop the individual soul, aiming at fulfilling the highest nature of the human character, including identification with community and the satisfaction of its needs.
8. All economic decisions would be made in accordance with the Buddhist principle, “Cease to do evil; try to do good,” and the definition of good would be that which preserves and enhances the integrity, stability, diversity, community and beauty of living species and systems; that which does the contrary is evil.

That is, to my mind, the essential moral and intellectual guide to a right and successful bioregional economics.