OWNING OUR FUTURE

The Emerging Ownership Revolution

Journeys to a Generative Economy

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CONTENTS

Foreword *by David Korten* ix

Prologue: *The Journey Ahead* 1

I The Overbuilt House of Claims

Extractive Ownership as the Cause of Financial Collapse 19

ONE Debt, Inc.: *Extractive Design* 21

TWO The Community Bank: *Generative Design* 31

THREE Wall Street: *Capital Markets on Autopilot* 47

FOUR Overload: *The Expanding House of Claims* 65

FIVE Collapse: *The Eroding Middle-Class Base* 85

II Returning to Earth

Ecological Values as the Seedbed of a Generative Economy 99

SIX Waking Up: *From Maximizing Profits to Sustaining Life* 101

SEVEN The Island: *From Growth to Sufficiency* 117

EIGHT Bringing Forth a World: *From Individualism to Community* 131

III Creating Living Companies

The Five Core Elements of Generative Ownership Design 147

NINE Living Purpose: *Creating the Conditions for Life* 149

TEN Rooted Membership: *Ownership in Living Hands* 163

ELEVEN Mission-Controlled Governance: *Humans at the Helm* 177

TWELVE Stakeholder Finance: *Capital as Friend* 189

THIRTEEN Ethical Networks: *Reinforcing Shared Values* 201

Epilogue: *Next* 209

Notes 219

Acknowledgments 235

Index 237

About the Author 247

FOREWORD

by David Korten

Of all the important elements lacking from much progressive thought and action, the issue of ownership design is perhaps the most foundational. Marjorie Kelly illuminates this crucial topic in a way that can drive it home to everyone. *Owning Our Future* offers the most thorough and properly nuanced treatment of the subject I've seen anywhere.

Most of the great political struggles of the past 5,000 years can be reduced to a simple question: who will own land, water, and the other essentials of living—and to what end? In the earliest human societies, ownership of the essentials of living was held in common by members of a tribe and included responsibilities of sacred stewardship. We might describe this as a form of shared ownership that confers shared responsibility.

As societies transitioned to centralized power structures, ownership of land, water, and other essential means of production was monopolized by the few. Even with the movement toward democracy, ownership of wealth has remained largely in the hands of an elite. Today, debilitating debt, bankruptcies, and foreclosures are a reminder of how little has changed and how many among us—including young people burdened by student loans—live under the power of those who control the issuance of credit.

Behind the workings of our economy lies an invisible issue that few of us focus on—the issue of ownership. During my years working in Africa, Asia, and Latin America, I came to realize that what we call "development" is in fact a process of transferring control over the basic resources essential to daily life from the people who depend on them to foreign corporations, whose primary interest is financial gain. Ownership of corporations is, in large part, in the hands of the wealthiest 10 percent.

Our well-being, indeed our future as a species, depends on restoring our relationships to one another and with the land, the water, the sky, and the other generative resources of nature that indigenous people traditionally considered it their obligation to hold and manage in sacred trust. The architecture of ownership is key.

The defining debates of the 20th century were crudely framed as a choice between two simplistically defined economic models: private ownership (capitalism) and public ownership (socialism/communism). Neither capitalism nor socialism ever achieved its ideal, but each came sufficiently close to reveal that both failed. Both support a concentration of the power of ownership in the hands of an oligarchy.

In *Owning Our Future*, Marjorie shows that a new model of ownership is arising and spreading in our time, which she calls *generative ownership*. It's most often private ownership, but with a purpose of serving the common good. Generative ownership models include cooperatives, employee-owned firms, community land trusts, community banks, credit unions, foundation-owned companies, and many other models that root control in the hands of people who have a natural interest in the health of their communities and local ecosystems. These are in contrast to the dominant ownership models of capitalism, which Marjorie calls *extractive*.

She offers a simple pattern language to describe what makes these two different models of ownership work. Extractive ownership features Absentee Membership and the rapid speculative trading of Casino Finance, built around the purpose of maximizing the extraction of financial wealth. This creates a disconnect between the common good and the global banks, corporations, and financial markets that control the means of living. Extractive ownership is at the root of most of the social and ecological ills we face today.

In Marjorie's prophetic words: "Ownership is the gravitational field that holds our economy in its orbit, locking us all into behaviors that lead to financial excess and ecological overshoot."

Generative ownership, by contrast, has the purpose of creating the conditions for the flourishing of life. It features Rooted Membership, in the living hands of employees, families, communities, and others connected to the real economy of jobs and homes and human life. It features Mission-Controlled Governance that keeps firms focused on social mission, Stakeholder Finance that allows capital to be a friend, and Ethical Networks that provide collective support for social and ecological norms. Most of these enterprises are profit making, but they're not profit maximizing.

Since her groundbreaking book *The Divine Right of Capital*, Marjorie has focused her attention as a writer on how to resolve the foundational issue of ownership, and in Ow*ning Our Future*, she shares the story of her personal journey of discovery. The book is written as a travelogue, with detailed accounts of her visits to each of the major initiatives she profiles. Marjorie combines the perspective of a tenacious reporter, the writing skills of an accomplished novelist, and the open and inquiring mind of a thoughtful and critical economic theorist. Her central theme is that the architecture of ownership defines the business purpose of the enterprise and largely determines whether it will operate in a generative or extractive mode. It is the design of ownership that creates the essential framework for the capitalist economy that is beginning to break down—and for a potentially new generative economy we can bring into being.

This is one of the most important books of our time. I found it so informative and inspiring that reading it literally brought tears of joy to my eyes. It gets my very highest recommendation.

PROLOGUE

THE JOURNEY AHEAD

We lost a couple of old trees in our yard a few years back, big ornamental pears brought down not by lightning or wind but by their own structural weakness. These trees have a Y structure where two central branches push against one another, and over time the trees undermined themselves, eventually splitting apart. We mourned those trees and wondered what to replace them with. But within a few months, the little magnolia that had seemed so small beneath one of them shot up. It's filled out that space magnificently now. Where the other tree once stood, we can grow flowers in places we couldn't before. Sometimes when you lose something you think you need, life surprises you. What comes next turns out to be unexpectedly good. That may be the case with our economy. There's a lot that's breaking down now, a lot of financial and ecological upheaval—not because crises are coming out of nowhere and hitting us but because the structure of industrial-age capitalism is causing them. It's a good time to open our minds to new things sprouting up.

Here's one. In Cleveland, Ohio, a city experiencing the bleakest form of economic decay, a new model of worker-owned business is taking shape, starting with the Evergreen Cooperative Laundry. At this green laundry—supported by stable contracts with anchor institutions such as hospitals and universities—employees buy into the company through payroll deductions and can build a $65,000 equity stake over eight or nine years. As work supervisor Medrick Addison says, "Maybe through Evergreen things that I always thought would be out of reach for me might become possible."

Other companies in the Cleveland project include Ohio Cooperative Solar, expected to employ 100, and Green City Growers, likely to become the largest urban food-producing greenhouse in the nation. Organizers envision a group of ten companies creating 500 jobs over five years—in a city where the poverty rate is above 30 percent. Efforts are underway to spread this model to other cities.[1]

It's hard to talk about hope in these troubled times, but hope is what we're called to. My sense is that a new kind of economy—one that serves the many rather than the few, one that's ecologically beneficial rather than harmful—is sprouting in little (and not so little) experiments here and there, in ways that weren't possible before. A lot of us don't see this, because we don't believe good things might come from the messes we're in. In the global capitalist economy, many of us are grim adherents of the TINA school of thought: There Is No Alternative.

My sense is that there is an alternative, and that the reality of it is farther along than we suppose. When we can't see this, it's because we've left no room for it in our imagination. If it's hard to talk about, it's because it doesn't yet have a name. I suggest we call it the *generative economy.* It's a corner of the economy (hopefully someday much more) that's not designed for the extraction of maximum financial wealth. Its purpose is to create the conditions for life. It does this through its normal functioning, because of the way it's designed, the way it's owned—like an employee-owned solar company.

Some may not believe this kind of economy is possible, except on the fringe. But in this book, I don't ask you to believe anything. Instead, I invite you to come along and see.

As I fly into Copenhagen Airport, the plane banking low over the harbor, I see seven wind turbines standing there in the waters offshore, their white blades gleaming in the sun, turning in syncopation. This is Lynneten Wind Farm, with an ownership architecture as innovative and hopeful as its physical architecture. Three of these turbines are owned by a local utility, four by a *wind guild.* Denmark's wind guilds were created by small investors who joined together to fund and own wind installations, with no corporate middleman. Denmark today generates one-fifth of its electric power from wind, more than any other nation. Many observers credit that success to the grassroots movement of the wind guilds.[2] It's an ecological success story made possible by the ownership designs behind it.

In late 2008, I awake one morning to news on the radio that global stock markets are in freefall, the heart-stopping 42 percent plunge that markets saw that year not yet at bottom. The funk that the international economy remains in today is descending like a black mood, like the tingly shock of opening a credit card bill after a spending spree. This is the day when I catch the bus to the Seaport World Trade Center in Boston to attend the annual meeting of the National Community Land Trust Network. *Community land trusts* (CLTs) are ownership designs in which individual families own their homes and a community nonprofit owns the land beneath a group of homes. This design reduces and stabilizes the price of homes while it prohibits speculative ownership. CLTs, I learn, have foreclosure rates *one-tenth* of those of traditionally owned homes.[3] As attorney David Abromowitz says at the meeting, "It's like a bomb went off and all the houses have been flattened, but there's one well-built house still standing." The metaphoric house still standing is the community land trust home. The reason is its ownership design.

On a brisk November day, I make the drive from Madison to nearby La Farge, Wisconsin, to visit the headquarters of Organic Valley and meet its ponytailed CEO, George Siemon. With more than $700 million in revenue, this organic dairy company was created to save the family farm. It's owned by close to 1,700 farm families. These include the Forgues family, which at one time struggled to make ends meet. Today their farm supports two families with relative ease because of the high, stable price that Organic Valley pays its farmers for milk, cheese, and eggs. While other companies aim to pay suppliers as little as possible, this company aims to pay its suppliers as much as possible. The reason is that farmers own this company.

When Leslie Christian tells me of her idea for a new kind of corporation—later to be called a *benefit corporation* (B Corporation)—it's on a long walk that we take together at the foot of the Rockies. A former

Wall Street bond trader, Leslie has taken a post as president of a socially responsible investing firm, Portfolio 21 Investments, in Portland, Oregon, hoping to use finance as a tool in building a more humane economy. As part of her work, she creates a subsidiary with a new purpose baked into its corporate charter and bylaws. The company's purpose is to serve many stakeholders—including employees, the community, the environment, and stockholders. Inspired by her, some young entrepreneurs start B Lab to promote aspects of the model. Within a few years, close to 500 companies become B Corporations, and a dozen states pass or are considering legislation to allow the formation of benefit corporations. Though the model is not without its critics, many business watchers talk about the benefit corporation as a potentially transformative new approach to ownership.[4]

In 2011, attorneys in every state of the United States begin filing lawsuits aiming to have the atmosphere declared a *public trust*—a commons, owned by all of us, deserving special protection. The suits are filed on behalf of young people, arguing that their future is threatened by climate change. If they achieve victory in even one case, it might create a ripple effect like that seen with gay marriage, where state after state follows. This could create leverage for legislation to rein in greenhouse gas emissions. It's a new approach to reclaiming our economy for the common good, using the power of ownership.[5]

These journeys have a common thread: ownership. In a way that many of us rarely notice, ownership is the underlying architecture of our economy. It's the foundation of our world. How ownership is framed is more basic to our daily lives than the shape of democracy. Economic relations define the tenor of our days: where we work for 40 hours (or more) each week or whether we work at all. How owners wield their power over companies determines whether we're empowered or belittled by our work, how much anxiety we suffer over our debts, whether we're able to own a home or be secure in retirement. Questions about who owns the wealth-producing infrastructure of an economy, who controls it, whose interests it serves, are among the largest issues any society can face. Issues of who owns the sky in terms of carbon emission rights, who owns water, who owns development rights, are planetary in scope.

The multiplying crises we face today are entwined at their root with the particular form of ownership that dominates our world—the publicly traded corporation, in which ownership shares trade in public stock markets. The revenue of the largest 1,000 of these corporations represents roughly 80 percent of global industrial output.[6] Stripped of regulatory overlay, the design of these corporations is the bare design of capitalism.

As a way of organizing an economy, this model made a certain amount of sense when the industrial age was unfolding. The modern age might not have come to be, without the emergence of corporations and capital markets. But as we make the painful turn into a new era—characterized by climate change, water shortages, species extinction, vast unemployment, stagnant wages, staggering differentials in wealth, and bloated debt loads—the industrial-age model of ownership is beginning to make less sense. Getting our arms around this large issue can seem difficult. Unable to even approach it, politicians instead fixate on how to jumpstart the economy and get growth moving again. But it's time to move beyond growth, to recognize that the economy as we once knew it will never return. Nor should it.

As the dominant form of ownership continues to spin off crisis after crisis in our time, alternative forms are at the same time emerging in largely unsung, disconnected experiments all over the world. We're at the beginning of an unseen ownership revolution. In this book, I visit places where this hopeful future is welling up like cold springs. It's a journey into the territory of the possible, a kind of advance scouting expedition for the collective journey of our global culture.

It's a book about deep change. It's about hope. It's about the real possibility that a fundamentally new kind of economy can be built, that this work is further along than we suppose, and that it goes deeper than we would dare to dream. It's about economic change that is fundamental and enduring: not greenwash or all the other false hopes flung in our faces for too long. The experiments I'm talking about are not silver bullets that will solve all our problems. They have flaws and limitations. But they nonetheless represent change that is fundamental and enduring because it involves ownership. That is to say, what's at work is not the legislative or presidential whims of a particular hour, but a permanent shift in the underlying architecture of economic power.

A PERSONAL ODYSSEY

As significant as different patterns of ownership are, they're hard to see, because they're deep structures lying beneath the surface of things. I learned about the importance of ownership from my father, and it was a lesson he delivered not in words but with the arc of his own life.

I grew up in a family of eight children, raised fairly comfortably on my father's single salary from the small business he owned in Columbia, Missouri. My maternal grandfather owned his own company, as did many of my uncles. When I was a child, no one in my extended family was rich. But we had what all families deserve and few today enjoy, which is economic security. The reason was that my parents owned things. They never saved much money, but they owned my father's business, our house, and a few other pieces of real estate. It was enough that when my father died at the young age of 62, my mother was able to live at ease for decades without working outside the home. There was no shortage of emotional dysfunction in our household (including a good bit of Irish Catholic drinking and stormy tempers). But the economic security we enjoyed helped my siblings and me to mature into stability. In a visceral way, I experienced financial security as a form of nurturance, as vital as food or shelter—something that sustained me and allowed me to thrive.

If I saw the positive side of ownership as a child, I saw its negative side at *Business Ethics*, a magazine I cofounded in 1987 and where I served as president for 20 years. In that time, I watched corporations rewrite the social contract. I saw mass layoffs shift from something companies did in a dire emergency to become ordinary practice. I watched companies I once admired hire union-busting consultants. In five short years, I saw the number of Washington lobbyists double.[7] I watched wages flatline and the proportion of taxes paid by corporations fall. When the scandals at Enron, WorldCom, Adelphia, Parmalat, and other companies broke out, it became clear that cooking the books had become disturbingly widespread.

At every turn, companies claimed to be acting in the interests of their owners, their shareholders. Ironically, the owners supposedly demanding those acts were us, all of us with investing portfolios holding stock in corporations, all of us who have children attending colleges with endowments, all of us who support churches, museums, and nonprofits that rely on donations paid for from financial holdings.

We're all tangled up in our system's ownership designs. And we're all tangled up in the messes they've left in the economy and the biosphere. Because we've yet to grasp how the crises we face are symptoms of deep structural problems, what lies ahead may be worse still.

Wanting to help in the search for alternatives, a number of years ago I sold *Business Ethics* and moved to the Tellus Institute in Boston. There, my colleague Allen White and I cofounded the initiative Corporation 20/20, bringing together hundreds of leaders from business, finance, law, government, labor, and civil society to explore alternatives to the dominant corporate form.[8] That work confirmed my growing conviction that ownership is the root issue. I remember a particular moment when it snapped into focus for the whole group.

It was 3 p.m. on a Friday and the energy in our group was flagging. Seated around the conference table were 30 of the most innovative thinkers I knew, all struggling to stay awake. If the topic we'd come together to explore, redesigning capitalism, was a worthy subject, by late on a Friday it was a boring one. We were in day three of our time together, in the third of these gatherings. It had begun to feel like we were half-crazed survivors dragging ourselves through one jungle of impenetrable concepts after another: stock options, Delaware law, fiduciary duty, and more. I looked around the table, thinking, we've got to get these people into a break. They need coffee, fast.

Then someone uttered a simple statement. I wish I could remember who said it. But I'll never forget what he said: "Ownership is the original system condition."

There was a pause, the nodding of many heads. Some chatter of agreement. Then the facilitator called for a break. Yet no one left the room. No one even touched the cookies wheeled in at the back. You would have thought the coffee had been delivered intravenously. The room was so alive with animated talk that it was as though we'd been huddled in a dark cellar, and someone had opened a door and thrown on the lights.

The energy in the group was back because we'd touched the root issue that defines corporations and capital markets today. It's ownership.

Ownership is the gravitational field that holds our economy in its orbit, locking us all into behaviors that lead to financial excess and ecological overshoot.

During my work with Corporation 20/20, my premise was that the answers were about redesigning corporations. But then my Tellus work shifted to a new project with the Ford Foundation involving rural communities, and I began looking at forms of ownership that didn't involve corporations at all.[9] I studied shared ownership and governance of homes, farms, forests, wind farms, fishing rights, and more.

As I discovered more and more models, I realized that I'd found my way to the edge of a movement much larger than corporate redesign. Something is emerging that goes to the root issue, the institution with which civilized economic life began, back beyond the age of industry in the age of agriculture. That root issue is ownership. We are witnessing its spontaneous evolution.

HARBINGERS OF THE NEW

New models are emerging today, not from the head of some new Adam Smith or Karl Marx but from the longing in many hearts, the genius of many minds, the effort of many hands to build what we know instinctively that we need.

In both the United States and the United Kingdom, there's burgeoning interest in *social enterprises*, which serve a primary social mission while they function as businesses—like Greyston Bakery in Yonkers, New York, an $8 million profit-making business started by Zen monks with an aim of creating jobs for the homeless.[10] *Community development financial institutions* (CDFIs)—which in the United States provide financial services to under-served low-wealth communities—are growing by leaps and bounds. In little over a decade, assets have climbed from $5 billion to $42 billion, with new funds coming from depositors, investors, and government grants.[11]

Emerging experiments with *catch shares*, ownership rights in marine fisheries, have been found to halt or reverse catastrophic declines in fish stocks.[12] *Conservation easements* now cover tens of millions of acres, allowing land to be used and farmed even as it's protected from development, preserving it for future generations both human and wild.[13] There's a growing movement to protect the *commons*, honoring areas of our common life that need shielding from market forces. And there's the *viral world* of entities like Wikipedia, owned by no one and run collectively.

Revolutionary lawyers are busy crafting new models through law—like the *community interest corporation*, created in UK law.[14] And the *low-profit, limited liability company* (L3C) in the United States, intended to facilitate more social investments by foundations. In the space of only a few years, this model has been enacted or come under consideration by nearly 20 states.[15] And there's the notable success of the Bank of North Dakota, the only *state-owned bank* in the United States, which in the initial financial crisis enjoyed record profits even as private-sector banks lost billions. Its unexpected resilience has led some 14 states to begin considering legislation to create their own banks.[16] (State banks are not privately owned, but they do represent alternative ownership focused on the common good rather than on maximizing profits.)

In Quebec and Latin America, among other places, there's a growing movement for the *solidarity economy*—consisting of cooperatives and nonprofits—which in Quebec has gained formal recognition and government funding as a distinct sector of the economy.[17] And a surprising number of large corporations have adopted *mission-controlled designs*. Among these are the foundation-owned corporations common throughout northern Europe, such as Novo Nordisk, a Danish pharmaceutical company with $11 billion in revenue, as well as Ikea, Bertelsmann, and other large companies. Also included in mission-controlled designs are family-controlled companies with a strong social mission, such as S. C. Johnson and the *New York Times*.[18]

More exotic designs are also popping up, like Grameen Danone, a *social business* in which village women in Bangladesh sell yogurt through a joint venture between multinational yogurt maker Groupe Danone and Grameen Bank, the first microfinance lender. The enterprise is designed to improve the nutrition of the poor as it aims to pay investors a modest, 1 percent dividend.[19]

Two pioneers in the field of emerging economic architectures have received Nobel prizes—Muhammad Yunus, who founded Grameen Bank and helped create Grameen Danone, and Elinor Ostrom of Indiana University, who studies economic governance of the commons. She and her colleagues have found communities all over the world that have spontaneously devised effective ways to govern fish stocks, pastures, forests, lakes, and groundwater basins in ways that preserve rather than harm those ecosystems.[20]

Emerging ownership models are new members of an older family of designs that include *cooperatives*, *employee-owned firms*, and *government-sponsored enterprises*. In the UK, these include the John Lewis Partnership—the largest department store chain in the country—which is 100 percent owned by its employees and has an employee house of representatives in addition to a traditional board of directors.

As a class, these alternatives represent an emerging family of design. If industrial-age ownership is based on a monoculture model, emerging designs are as rich in biodiversity as a rainforest. Through studying these, grafting pieces of them together to create still more models, we just might create the greenhouse of design experimentation where the future of our economy could be grown.

These social architectures are harbingers of something profoundly new. They aren't yet fully formed, not yet ready to serve as the framework of a new social order. But their growing profusion is a signal. It tells us that we're entering one of the most creative periods of economic innovation since the Industrial Revolution. For what's at work isn't economic innovation as it's usually meant, which is about better and better ways to make more and more money. This innovation is almost unimaginably more profound. It is a reinvention at the level of organizational purpose and structure. It is about creating economic architectures that are self-organized around serving the needs of life.

GENERATIVE VS. EXTRACTIVE OWNERSHIP

These models embody a coherent school of design—a common form of organization that brings the living concerns of the human and ecological communities into the world of property rights and economic power. It's an emerging archetype yet to be recognized as a single phenomenon because it has yet to have a single name. Hannah Arendt observed that a stray dog has a better chance of surviving if it's given a name. We might try calling this a family of *generative ownership* designs. Together they form the foundation for a *generative economy*.

In their animating intent and living impact, these ownership designs are aimed at generating the conditions where all life can thrive. From the Greek *ge*, *generative* uses the same root form found in the term for Earth, Gaia, and in the words *genesis* and *genetics*. It connotes life. *Generative* means the carrying on of life, and generative design is about the institutional framework for doing so. The generative economy is one whose fundamental architecture tends to create beneficial rather than harmful outcomes. It's a living economy that has a built-in tendency to be socially fair and ecologically sustainable.[21]

Generative ownership designs are about generating and preserving real wealth, living wealth, rather than phantom wealth than can evaporate in the next quarter.[22] They're about helping families to enjoy secure homes. Creating jobs. Preserving a forest. Generating nourishment out of waste. Generating broad well-being.

These designs are in contrast to the dominant ownership design of today. To make the distinction clear, that design also needs a name. We might call it *extractive*, for its focus is maximum physical and financial extraction. Our industrial-age civilization has been powered by twin processes of extraction: extracting fossil fuels from the earth and extracting financial wealth from the economy. But these two processes are not parallel, for finance is the master force. Biophysical damage may often be the *effect* of the system's action, yet extracting financial wealth is its *aim*.

As we begin to build what economist E. F. Schumacher called an "economy of permanence" on our fragile planet, maximum financial growth will be ill-suited as a guiding purpose. In generative design, we see in practical detail how a different goal can be at the core of economic activity. Generative design shows us that a transformative shift has already begun and suggests how it might be amplified.

OWNERSHIP AS A REVOLUTIONARY FORCE

"There's a movement going on that doesn't know it's a movement," attorney Todd Johnson said to me (he's one of those revolutionary attorneys devising new designs). What's under way is an ownership revolution. It's about broadening economic power from the few to the many and about changing the mindset from social indifference to social benefit. We're schooled to fear this shift, to think there are only two choices for the design of an economy: capitalism and communism, private ownership and state ownership. But the alternatives being grown today defy those dusty 19th-century categories. They represent a new option of private ownership for the common good. This economic revolution is different from a political one. It's not about tearing down but about building up. It's about reconstructing the foundation of ownership on which the economy rests.

For centuries, moments of crisis have been times when people turned to alternative ownership designs for protection. The first modern cooperative, the Rochdale Society, was formed in England in the 1840s, when the Industrial Revolution was forcing many skilled workers into poverty. The Rochdale Pioneers were weavers and artisans who banded together to open the first consumer-owned cooperative, selling food to workers who otherwise couldn't afford it. The cooperative model they created has spread to more than 90 nations and now involves close to a billion members.[23]

During the Great Depression in the United States, the Federal Credit Union Act—ensuring that credit would be available to people of small means—was intended to help stabilize an imbalanced financial system. Today the assets of credit unions total more than $700 billion. Since the financial crisis of 2008, these customer-owned banks have added more than 1.5 million members. A key reason is that in the initial crisis, their loan delinquency rates were half those of traditional banks.[24] In Argentina in 2001, when a financial meltdown created thousands of bankruptcies and saw many business owners flee, workers kept showing up to work.

With government support, they took over more than 200 firms and ran these *empresas recuperadas* themselves.[25]

In our time, the need for alternative kinds of ownership is more critical than ever, for the path ahead forks. The path of business as usual points toward a fortress world, a place where the wealthy few retreat into enclaves of luxury and security while most struggle in fear and want. The path of transformation points toward a new economy, a potentially generative economy that yields prosperity both sustainable and shared.[26] Whichever world we choose, it will be ownership and financial architectures that give it its essential shape.

When I give talks about generative ownership design, people sometimes say, "It would be nice, but how can we get there?" The answer, I suspect, will be twofold. We'll need a pincer movement: one arm moving to rein in corporate abuse and reform corporate governance at existing corporations, the other arm moving to develop generative alternatives.[27] Both kinds of effort are necessary. But it's the second strategy—promoting alternatives—that today lacks coherence and momentum. It's difficult to unite and work for deep change when we lack a clear, shared vision of the kind of economy we truly want and a simple understanding of the designs that make it function.

The development of alternatives relies, initially, on *emergence*. As organizational change theorist Meg Wheatley has written, emergence is about connecting with people who share a common vision. This is how local actions spring up, connect through networks, and strengthen into communities of practice. With little warning, emergent phenomena can appear—like the rise of the organic and local food movements. Ultimately, a new system can emerge at greater scale: not magically, but through a combination of unplanned emergent activities and later more focused efforts.[28]

I explore emergence in chapter 8, "Bringing Forth a World," and offer more thoughts on change strategies throughout the book—particularly in the epilogue. But my aim isn't to create a roadmap of how to get from here to there. My focus is on *there*. My quest is for a vision and language, at once practical and profound, that might guide us in the tumultuous days ahead.

THE PATTERNS OF LIFE

If most of us understand the design of democratic power, we don't understand economic power. We don't understand the design of ownership. And we need to. What has yet to be done—and what I attempt here—is to devise a simple pattern language to describe the designs that underlie and unify seemingly disparate models. As architect Christopher Alexander has said, we need to discover how to talk about patterns in a way that can be shared. This means naming them. "We must make each pattern a thing so that the human mind can use it easily," he wrote in *The Timeless Way of Building*.[29] (I return to Alexander's work in part 3.)

I've found five essential patterns that work together to create different kinds of ownership: purpose, membership, governance, capital, and networks. These can be used in *extractive* ways—aimed at extracting maximum financial wealth in the short term. Or they can be used in *generative* ways—aimed at creating a world where all living beings can flourish for generations to come. If new models remain to be created, many of the underlying design patterns we need are already here and can be combined in novel ways.

Extractive ownership has a *Financial Purpose:* maximizing profits. Generative ownership has a *Living Purpose:* creating the conditions for life. While corporations today have *Absentee Membership*, with owners disconnected from the life of enterprise, generative ownership has *Rooted Membership*, with ownership held in human hands. While extractive ownership involves *Governance by Markets*, with control by capital markets on autopilot, generative designs have *Mission-Controlled Governance*, with control by those focused on social mission. While extractive investments involve *Casino Finance*, alternative approaches involve *Stakeholder Finance*, where capital becomes a friend rather than a master. Instead of *Commodity Networks*, where goods are traded based solely on price, generative economic relations are supported by *Ethical Networks*, which offer collective support for social and ecological norms. Not every ownership model has every one of these design patterns. But the more generative patterns are employed, the more effective the design.

In key ways, this book is a continuation of my previous one, *The Divine Right of Capital.* That book looked at the myths upholding the rights of capital, particularly the myth that wealth holders have needs that come before everyone else's needs. It also explored principles of economic democracy. In the decade since it was published, the ownership structures of our economy—the intertwined institutions of corporations and capital markets, and the perpetual growth and rising profits they require—have contributed to unprecedented new crises, such as climate change. It no longer seems sufficient to speak of economic democracy as the solution.

A more appropriate frame of reference may be the living system of the planet. The ultimate patterns that all systems must employ are *living patterns*—the patterns of organization that nature has evolved to support life. Systems thinking, which arose in physics and is spreading to other disciplines, offers a robust language for speaking about living patterns and processes. It's a language that applies equally to biological systems and social systems. Through systems thinking, we can see that the task of redesigning ownership is part of the larger task of bringing human civilization into harmony with the earth.

We know the next economy will require things like wind turbines, limits on carbon emissions, and sustainably managed forests. The questions that remain largely unanswered are about who will own these, who will control them, and who will flourish in the world they create. We need innovation not only in physical technologies but also in *social architectures.*[30] If physical technologies are about the *what* of the economy, social architectures are about the *who*: who will make economic decisions, and how, using what kinds of organizing structures? Social architectures are the blueprints of human relations, how we organize ourselves to do things. Will we continue to rely on economic architectures organized around growth and maximum income for the few? Or can we shift to new architectures organized around keeping this planet and all its inhabitants thriving? This book is a quest for answers.

MAPPING THE JOURNEY AHEAD

In part 1, I trace how extractive design in one industry, the mortgage industry, drove toward financial overshoot and collapse. I start with the foreclosed house that a friend of mine was trying to buy, for which he couldn't find any owner to whom he could make an offer. I follow this thread to the New York Stock Exchange, and into other worlds of financial engineering, to trace what went wrong in the social architecture of ownership. Ultimately, I set out to find the couple that the house once belonged to, to see how the subprime mortgage collapse impacted the life of one family.

In part 2, I look for the seeds of a new value system that might give rise to a new economy. I visit experiments in ownership of the commons: the Maine lobster industry, community forests, community wind, a cohousing community, and others. Embodied in these ownership models are values of sustainability, community, and sufficiency (the idea that after the pursuit of "more" comes the recognition of "enough"). These may be the values that one day replace the pursuit of limitless financial wealth, the focus on individualism, and the insistence on maximum growth, which remain embedded in today's ownership designs.

If part 1 is about the breakdown of ownership, and part 2 is about the ground of its evolution, part 3 looks at design patterns that are bringing generative ownership to life on a broad scale. Each chapter takes up one key pattern of generative design, looking at how these combine to keep social mission alive over time. I've seen many companies that once were generative lose their social mission when they grow large or when the founder departs. In part 3, I search for successful, substantial companies that have solved the "legacy problem"—keeping social legacy alive long after the founder is gone. I tour the employee-owned John Lewis Partnership in London. I visit foundation-owned Novo Nordisk in Denmark, a pharmaceutical with production based in Kalundborg, home to a famed example of "industrial symbiosis," where this company's waste becomes food for the ecosystem. Among other expeditions, I revisit finance, talking with a couple of investing advisers to see how I can use my own small investment portfolio to help in the transformation.

My hope is that these journeys will be of interest both to specialists and to the general, thoughtful reader. For those deeply immersed in ownership design, the simple design patterns I see at work might help bring coherence to what has been a disconnected field. For others, these journeys might help answer the questions that bedevil us: How did a civilization as advanced and fiercely intelligent as our own manage to get things so catastrophically wrong? How, in other words, did we get here? And where might we be heading in the most hopeful, if not the most likely, scenario? What kind of economy could we create if we turned the emerging ownership revolution into a concerted, organized social force?

If ownership talk feels unfamiliar, it did to me too when I began dreaming of launching *Business Ethics* a quarter century ago. I was in my early 30s then, and owning my own company felt so grown-up, so beyond me. It was something in the realm of the fathers, not in my realm as a young woman. I remember a dream I had one night of entering a building—a church, a bank, or in dream logic somehow both—where I saw men standing behind a railing, murmuring among themselves. A barrier separated me from them, like the communion railing separating the congregation from the priest, marking off a territory where only the banker-priests could enter. I stepped inside that rail. And to my surprise, no one minded. They acted as though I belonged. And I did. Moving more boldly, I began to dream of remodeling the space, throwing out a wall, widening the room, removing the barrier, allowing more to enter. I awoke exhilarated.

Having wandered around in the architecture of ownership a good long time now, I want to invite others in. Ownership is the ultimate realm of economic power. We all belong there—in the same way that we all belong in the halls of democracy. It's time for us to own this place we call an economy and stop leaving it to the banker-priests. When more and more of us become comfortable entering the seemingly forbidden space of ownership—daring to dream together of remaking it—that's when we will truly own our future.

THE DESIGN OF ECONOMIC POWER
The Architecture of Ownership

EXTRACTIVE OWNERSHIP	GENERATIVE OWNERSHIP
1. *Financial Purpose:* maximizing profits in short term	1. *Living Purpose:* creating the conditions for life over long term
2. *Absentee Membership:* ownership disconnected from life of enterprise	2. *Rooted Membership:* ownership in human hands
3. *Governance by Markets:* control by capital markets on autopilot	3. *Mission-Controlled Governance:* control by those dedicated to social mission
4. *Casino Finance:* capital as master	4. *Stakeholder Finance:* capital as friend
5. *Commodity Networks:* trading focused solely on price and profits	5. *Ethical Networks:* collective support for ecological and social norms

I

The Overbuilt House of Claims

Extractive Ownership as the Cause of Financial Collapse

The modern economy is built largely on the framework of a single kind of ownership: the publicly held company, with ownership shares trading in stock markets. It is an industrial-age model of ownership. Its purpose is manufacturing financial wealth in endlessly growing quantity. Because financial wealth is a claim against real wealth—a claim on future wages or housing values or company profits—this form of ownership works by extraction. We can call it extractive ownership. *One sector where this model has been particularly pernicious is the mortgage and banking industry. A reasonable amount of wealth flowing to the financial industry is normal and healthy. Yet when too much wealth flows up into the financial sphere—the province of the big banks, hedge funds, and hyper-wealthy—this extraction weakens the vitality of the real economy of jobs, families, and communities. The system becomes overloaded with claims and prone to collapse. How this system impacts one family, one home lost to foreclosure, is the focus of the journeys of part 1.*

ONE

DEBT, INC.

Extractive Design

As my friend Orion Kriegman and I climbed the pebbly cement staircase in the sidewalk that gave James Court a distinctive charm, he shared with me the story of his quest to buy the home we were on our way to see. It was a little two-unit at 56 James Court* in the Jamaica Plain neighborhood of Boston. After the family that lived there for 13 years lost it to the mortgage company, it stood empty for years. Orion had lined up bank financing to buy it. But when his real estate agent tried to make an offer, he couldn't find anyone on the other end to talk with. No owner. Or at least no owner that anyone could locate. Some entity somewhere in the chain of financing had gone bankrupt, and the company left in charge was in absentia. Orion tracked down that firm through the register of deeds, but when he called the company—not once, but over and over—he felt he'd entered that special circle of Dante's Inferno reserved for those on hold.

In his months-long effort to buy the home, he got as far as discovering that the "owner of record" was Ocwen Financial Services. But there the trail went cold. "Their phone service is a true nightmare," Orion said. "There's no category this fits in, so they transfer you to someplace where you can't leave a message." When he finally talked to someone, he figured he'd reached a call center in India, because the person spoke with an Indian

* The address of this home and names of its former owners have been changed to protect their privacy. The details presented are real.

accent and seemed to be working from a script with no provision for his particular problem.

"He gave me an 800 number, but I said an 800 number is not a direct line. 'Oh yes, it is, sir, I promise it is, sir,' he told me. So I tried it, and it took me back to the start." Consulting again with his agent, Orion got the name of the person at Ocwen in charge of foreclosed properties and phoned him. At one point, he even found a returned message on his answering machine. But after calling the fellow back three times, Orion was met with a final, enduring silence.

Odd. How does one lose ownership? Where did it *go*? This intrigued me. Somehow, the seemingly simple fact of ownership had been deconstructed beyond recognition and vaporized. That process had triggered economic crisis across many nations—something like the splitting of the atom triggering nuclear explosion. Because the owners who'd lost this home seemed close to ground zero for the whole thing, I thought the story of this one family might help unravel how things had gone so wrong.

THROUGH THE WEEDS

Orion finished telling his story as we reached the house, where we stood for a moment. "I don't even know if it has its plumbing anymore," he said. A lot of abandoned homes didn't. Scavengers had been known to strip out copper piping, rip sinks out of walls, and haul boilers out of basements. Since this home had plywood slabs covering its windows, we couldn't tell what shape the interior was in. We pushed through the weeds to the backyard to try to see.

From beneath the side porch protruded the edge of a stained blue sleeping bag. "There's definitely someone living under there; I see him all the time," said a young man walking toward us (who didn't seem to have bathed that morning). He told us that he too dreamed of occupying the house, as a squatter. Like Orion, he said he'd visited the website for the register of deeds to follow the tale of the home's ownership. "It's like seeing people's life story in a handful of documents," he said. Peering past this home's boarded-up windows proved impossible that day. If I were ever able to see into the story of this home, I realized that I would have to be the third in our erstwhile trio to dig into the public documents posted by the register of deeds.

The tale began in 1992, when Helen Haroldson bought the 2,100-square-foot two-family house for $140,000, with a mortgage from Shawmut Mortgage Co. Five years later, she seemed to be getting a small business under way, because a Small Business Administration (SBA) loan was added in the amount of $23,500, secured by the value of the house. On SBA documents, the name of a husband, Michael, appeared for the first time—possibly indicating a recent marriage. With a home, a husband, and a business, Helen's life seemed to be coming together. For two more years, all seemed to go smoothly. Then in 1999 the couple took out an innocuously small loan, $16,000, from a local credit union. In less than two years, they'd fallen behind on payments, and the credit union gave them a few months to become current.

The growing equity in the home allowed that problem to disappear. The Haroldsons got a $233,200 mortgage from Aegis Mortgage Co., totaling $50,000 more than all previous loans combined. That likely meant they'd added some cash for themselves into the refinancing (as well as cash for the hefty fees no doubt charged by Aegis). It was easy to imagine their relief. Yet had it been a Shakespearean play, this would have been the moment when the plot turned. Aegis (a company organized in the state of Oklahoma, with a post office box in Louisiana and a street address in Texas) would appear again in the Haroldsons' life, as would a second corporation mentioned on this mortgage: MERS—Mortgage Electronic Registration Systems, Inc. MERS was a privately owned loan-tracking service created to facilitate the trading of mortgages. Its presence on the deed meant that this home's mortgage could be sold countless times, with few hints of those transactions showing in county land records. MERS was, you might say, the legal representative of the financial whirlwind.

Nine months later, the Haroldsons were back with another new mortgage, this one from Ameriquest Mortgage. I recognized the name, because when the meltdown came, it made headlines as the object of multiple state prosecutions for predatory practices—such as pressuring borrowers to refinance when it wasn't in their interest to do so. Perhaps in part because of lender fees and penalties, the mortgage was now $50,000 higher. It seems the Haroldsons had begun paying down old debt with new debt. From that point, it became painful to read on.

Six months later, another new mortgage—Aegis again. This one $71,000 higher. Another six months, another new mortgage, this one from a lender incongruously named Community First Bank, adding $44,000. Then an Instrument of Taking from the state Office of the Collector-Treasurer, threatening to seize the house for nonpayment of taxes. The notice arrived 12 days before Christmas. Five months later, the Haroldsons were back with another new mortgage—Aegis again (no longer organized in the state of Oklahoma, now reorganized in Delaware). This mortgage totaled a crushing $462,500. The Haroldsons hung on for another 18 months, and then MERS filed in court to foreclose.

Even in the dry prose of registered deeds, there was something raw about these transactions. The Haroldsons were clearly unsophisticated in the ways of finance, possibly lax, or, more charitably, desperate in their decision making. For whatever reason, they cycled through five mortgages in five years. Why did no bank counsel them? If reckless borrowing was clearly in evidence, the larger story—the enabling framework—had to do with reckless lending.

A TANGLED SKEIN OF OWNERSHIP

For years after the house was taken, the power of sale that MERS had claimed lay unexercised. Any ordinary bank would have wanted to see this home put on the market immediately. But this was no ordinary bank. MERS wasn't the owner but a processing agency acting on behalf of some unnamed other. I guessed that Aegis wasn't the owner, either, because companies like that often sold off mortgages within days. Aegis had also gone bankrupt, ceasing operations less than eight months after the Haroldsons' foreclosure.

I thought the most likely "owners"—and the word clearly needs quotation marks in this context—were the investors in mortgage-backed securities. What such investors generally invested in were not individual mortgages, or even pools of mortgages, but instead *characteristics* of pools of mortgages, packaged into collateralized debt obligations (CDOs). Many of these investing vehicles melted down in the housing crash, making them possible candidates for the missing owner. Because of MERS's presence, the whole thing remained opaque.

If the Haroldsons' house stood at one end of this tangle of financial arrangements, at the other end stood investors. These often weren't individuals but institutions—like the banks of Iceland, which were destroyed in the CDO meltdown, or the pension fund of King County, Seattle, which lost a bundle on structured investment vehicles. So it was that between, say, a Seattle policeman whose retirement depended on the performance of a mortgage loan and the mortgage payments made (or not made) by the Haroldsons, there stretched a complex of connections so densely woven as to be impossible to untangle when the need arose.

Holding the supposed responsibility for this snarled skein was Ocwen Financial Services. It was a story in itself. When I put its name into Google, I might as well have searched on the phrase "mortgage fraud," so numerous were the lawsuits and allegations of abuse. According to a Government Accountability Office (GAO) report, the firm had charged the Veterans Administration for home repairs never made, instead leaving houses in disrepair and covered in debris. The Better Business Bureau of Central Florida, where Ocwen was located, had given the company its lowest ranking, F, after receiving 520 complaints in three years. In a customer service survey, J. D. Power and Associates ranked Ocwen dead last, in large part because of what the *Palm Beach Post* called "its tortuous and unhelpful phone services." Orion's suspicions about the call center in India were well founded. I came upon an announcement that Ocwen had hired 5,000 new people for its operation centers in Bangalore and Mumbai.[1]

Ocwen's practices may not have been far from the industry standard. Abusive practices were in many ways the logical consequence of the incentives that financialized ownership creates. Mortgage servicers inhabited a cockeyed universe where fees increased as loans slipped toward trouble. The longer that loans remained in limbo, the greater the opportunity for junk fees. As mortgage servicers seized a property and prepared to resell it, they could funnel orders for title searches, appraisals, and legal filings to companies with which they were affiliated. Ocwen had established its own title company, Premium Title Services, in part to pocket more of that revenue. Because of these multiplying fees, mortgage servicers had little incentive to dispose of troubled properties quickly. They had little incentive to care what houses ultimately sold for, since the losses were not their own.[2]

Because Ocwen was a collection agency, interested in its own fees, it likely tended to see borrowers and their homes largely as production units: items in computerized databases with whom the firm had no enduring relationship. The players who had been part of a human relationship—those who arranged the loans—were gone. They'd sold the loans to financiers, who compiled the loans into products and sold them to investors.

If it was a mechanistic process, it was also a lucrative one. As a final note to the story of Ocwen, I pulled its stock performance chart. It looked like a fever chart climbing vertically. After a rocky period, the company found its footing in the post-crash environment and in a 52-week period saw its stock climb 140 percent. The reason was that Ocwen landed new contracts for managing troubled loans. Having likely played some role in the subprime mess as it unfolded, Ocwen was also making a bundle cleaning it up.[3]

When I thought back to the dilapidation of 56 James Court, the design logic that led there seemed clear. The breakdown in the physical architecture of the house traced directly (or rather, circuitously) to its ownership architecture. As ownership was deconstructed and repackaged, its atoms distributed hither and yon, the aim of the whole process wasn't to help people stay in their homes. When families like the Haroldsons could no longer be tapped for escalating fees, they were shunted aside like debris, and houses were left to deteriorate. As a home loan shifted from one financial institution to another, a single aim was at work: to extract as much financial wealth as possible and to avoid responsibility if things went wrong. Financial extraction by companies and physical extraction by vandals went hand in hand. But they were not parallel processes. Finance was the master force.

THE RULES OF EXTRACTIVE DESIGN

The simple rules at the core of this story began to resolve themselves in my mind like a photograph coming into focus. To the brokers who created mortgages, the financial institutions that repackaged them, and the processors like Ocwen who serviced them, their shared motivations amounted to a unified system dynamic. The rules were so widely understood that they rarely needed to be articulated:

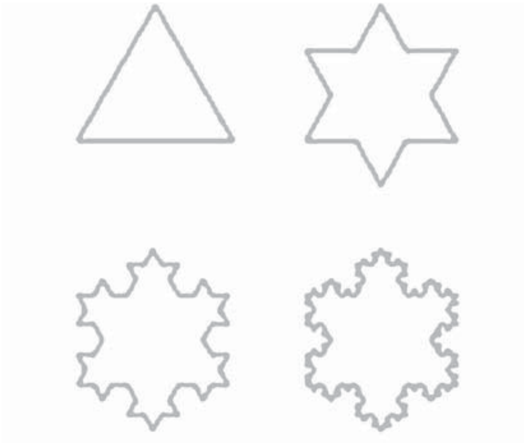
Maximize financial gains and
minimize financial risks.

In their zeal to excel at this game, the players at certain points strayed across the line into fraud. Yet the problem wasn't so much that people had broken the rules as that they'd followed them.

To understand the behavior of an entire system,
it's important to look beyond the players
to the rules of the game.

That point was emphasized by systems theorist Donella Meadows, the Dartmouth College professor best known as the lead author of the 1972 book *The Limits to Growth*, one of the first to make the case that growth cannot continue infinitely on a finite planet. She helped develop systems thinking, which describes the common functioning of all systems, whether bacteria, organisms, ecosystems, or economies.

In her final book, *Thinking in Systems: A Primer*, Meadows observed that beneath the detail and complexity of the world, simple rules are generally at work. When those rules are repeated over and over, they spin themselves out in intricate ways, creating complex system structures. She gave the example of how a snowflake can be generated from a simple set of organizing principles. "Imagine a triangle with three equal sides," she wrote. "Add to the middle of each side another equilateral triangle, one-third the size of the first one. Add to each of the new sides another triangle, one-third smaller. And so on. The result is called a Koch snowflake."[4]



KOCH SNOWFLAKE

The way a single cell grows into a human being probably proceeds by some similar set of rules, Meadows said. "All of life, from viruses to redwood trees, from amoebas to elephants," she wrote, "is based on the basic organizing rules encapsulated in the chemistry of RNA, DNA, and protein molecules."[5]

Entire systems of organization can similarly grow from simple rules of self-organization—like the rules of maximizing financial gains and minimizing financial risks. These rules are based on deeper values, including individualism, the notion that the only relevant unit of concern is the individual self. What the rules say is to maximize gains for the *self* and avoid responsibility if *others* are harmed in the process. Harm to others is not something the system intends. It's something the system ignores. What the rules say is, take care of yourself; forget everybody else.

These are the rules at the heart of extractive design. This is the design at work in the myriad forms of conventional mortgage finance and in the behavior of most publicly traded companies. When common rules are at the core of structures, the structures tend to produce characteristic behaviors. These structures can be called *archetypes*. Archetypes are the deep, simple patterns of organization that lie beneath the complexity of everyday life.[6]

The rules of maximizing gains and minimizing risk originate in the human heart. But they become a collective force, shaping the behavior of countless individuals working in concert, when they are embedded in institutional design. Organizations are more than random collections of individuals doing what they feel like doing on a given day. Behind the complex behavior of an institution like a bank—behind its loan offerings, its policies, the behavior of its employees—is a system structure that binds it all together, giving that system coherence and momentum.

Social systems are organized around a *purpose* in the same way that natural systems are organized around a *function*. The function of an acorn is to become an oak. The function of a river is to flow. The difference between function and purpose is the element of human choice. The purpose of an institution is selected by those with the ability to make that choice, the company's owners. They express their purpose through the design of the organization.

Structure is purpose expressed through design.

This is the key lesson that systems thinking teaches us about the economic crisis: that the triggering events behind it were the result not simply of missteps by a few but of a larger system dynamic that encouraged those missteps. Financial Purpose was at the heart of it. The financial ruin of people like the Haroldsons wasn't anyone's aim. It was off the radar screen. Loans going bad didn't bother brokers or financiers as long as their own financial interests weren't at risk.

We're closing in here on the serious design flaws encoded deep in the social architecture of extractive ownership. What its individualistic rules fail to encompass are the larger realities of system behavior—like the fact that everyone in a system can be acting in seemingly rational ways, yet their actions can add up to a terrible outcome. Or the reality that a system can, without warning, leap into behavior it's never exhibited before.[7] To create a system design built for those kinds of unexpected outcomes—which seem to be showing up with greater frequency in the 21st century—a different set of operating principles will be needed.

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The Emerging Ownership Revolution

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