

Building Sustainable Communities on Ecological Principles

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Global sustainability depends on communities

Level	Principle role ^(a)	Other roles ^(a)	Source of funding ^(b)
Family	Personal and social development	Community and cultural development	Work and/or dividends, rents, profits etc.
Enterprises	Wealth generation	Fulfilling work	Self-financing
Neighbourhoods	Social & cultural support	Substitution of paid services	Non-profit & voluntary contributions
Land banks (CLBs)	Income distribution between entities	Health, education, welfare, & other infrastructure services	Enterprise rents & gains from site trades
Cities	Provide infrastructure	Balance income between CLBs	Taxes from CLBs
Bio-regions	Federating economic & political systems	Co-ordinating infrastructure services	Green taxes from degrading enterprises
Regional bio-spheres	Federating bio-regions	Co-ordinating economic structures in regional bio-spheres	Green taxes from bio-regions
Global	Governance of global commons	Co-ordinating political structures in regional bio-spheres	Green taxes from regional bio-spheres

Communities as economic lifeboats

To sustain a community it must reduce or eliminate economic leaks that drain away local wealth through:

- Interest payments on mortgages (one third of income) and business loans to outside lenders;
- Home and business rent to outside owners
- Windfall profits from land to outsiders
- Profits, dividends and royalties to outsiders
- Wages and salaries to outside residents
- Importing goods and services

Sustainable communities need to maximize local ownership of land, buildings, enterprises and money

Ecological Principals

All living things have limited life with sources of feedback information from their environment to allow them and their specie to be sustained.

Sustainability paradoxically depends upon death to allow rebirth with adaptive changes.

These principles provide an evolutionary tested basis for establishing, self-reliant, self-governing entities.

Applied to communities it would result in replacing plutocratic capitalism with ecological capitalism.

Ecological Capitalism

Rules for owning things, not markets define capitalism.
Markets are dependent upon ownership rules.

Ecological capitalism can be introduced by replacing current static, perpetual and exclusive ownership rules with ones that are dynamic, time limited and inclusive for:

- ❖ Money
- ❖ Realty – Land and buildings separately
- ❖ Corporations

Ecological capitalism replaces command and control hierarchies with a division of powers to introduce interdependency through network governance of nature⁵

Investors get overpaid in a way not reported by accountants and not considered by "old" economists

Perpetual rights to own land, buildings, corporations and money allows:

1. Overpayment of investors
2. Inefficiency in resource allocation that is inconsistent with the assumption of efficient market allocation;
3. Inequity in sharing value enhancements with those responsible (e.g. producers depend upon consumers);
4. Concentration in wealth, income and power that can subvert and/or over-ride democratic governance by buying power, status and influence.

Surplus incentive/profit (1)

- In making an investment no investor will rely on receiving cash back beyond the unforeseeable future.
- Cash received by investors after their foreseeable future/"time horizon" is surplus to their incentive to invest even when there is no limit to greed.
- Surplus incentive represents a "surplus profit" that accountants do not identify and so are **not reported** or considered by economists or most other people.
- Economists confuse surplus profits with "excessive" profit or "rent" that **is reported** by accountants.

Surplus incentive/profit (2)

- Surplus profits commonly arise when investors are allowed to write-off the cost of their investment for tax purposes without writing off their ownership rights. Tax deductions should be conditional upon ownership transfer of residual value to stakeholders.
- Surplus profits typically arise before ten years for equity investments (no contractual or assured returns).
- Surplus profits can be two or more times greater than the initial investment for long life assets.
- Surplus profits can also arise from "windfall" profits created by consumer demand for assets like land.

Distribution of surplus

	“Old” Economics	“New” Economics
1	Assume wealth can only be distributed by work or welfare and so promote policies of full employment and taxation;	Can also distribute wealth by the design of property rights to provide fulfillment in employment or leisure (to include pensioners);
2	Distribute wealth according to an individual's contribution to production or need.	Also distributes wealth according to the individual's contribution to consumption and consumer demand as these generate value.
3	Allows credit creation to concentrate wealth through the formation and financing of the synthetic assets also created	Apply a carrying cost to the currency to remove or reverse the bias against investment in productive assets that make nature yield her resources more abundantly

Differences between Capitalisms':

Plutocratic capitalism

1. Wealth of nations and individuals depends upon income;
2. Ownership rules **are not** a policy variable
3. Only **two** ways to distribute wealth through work or welfare;

Ecological capitalism

- 1) Wealth of nations and individuals based on **both** income and assets;
- 2) Ownership rules **are** a policy variable.
- 3) **Third** way to distribute wealth through assets ownership;

Plutocratic Versus Ecological Money (1)

The role of money is simplified to become only a unit of account and medium of exchange but not also a store of value as it acquires a cost, not interest

	Differences	Existing Failed Money	Ecological Money
1	Money created by:	Government & banks	Traders and investors
2	Interest fixed by:	Central Bank	Cost of risk insurance
3	Expansion of money:	Gov. ratio-regulation	Value of transactions
4	Money defined by:	Government fiat	Local resources of nature
5	Choice of currency	Government monopoly	Selected by community
6	Inflation control by:	'Blunt' instruments	Value of renewable energy
7	Structure of money:	Unlimited interest	Carrying cost limiting life
8	Economic flaw-1:	Incentive to own money	Incentive to own real assets

Plutocratic Versus Ecological Money (2)

	Differences	Existing Failed Money	Ecological Money
9	Economic flaw-2	Allocates resources to finance	Real assets more attractive
10	Economic flaw-3	Distorts price relativities	Price related to sustainability
11	Environmental flaw-1	Incentive to burn carbon	Favours renewable energy
12	Environmental flaw-2	No feedback from nature	Nature controls price signals
13	Social flaw-1	Compounds unearned income indefinitely	No unearned income
14	Social flaw -2	Concentrates influence	Localises influence
15	Political flaw-1	Concentrates power	Enriches local democracy

Root causes of housing problems

The current rules for owning urban land and buildings are inefficient, and inequitable because:

1. Government investment in buildings, services create private windfall profits for land owners (e.g. Jubilee underground);
2. Corporations capture windfall gains to subsidize their operations and misallocate resources (e.g. GMC in Australia);
3. Corporate investors get overpaid with both windfall and surplus profits that foreigners can drain out of the economy.
4. Windfall gains captured by sites owned by the government, corporations or CLTs are not used to finance affordable housing;
5. Government subsidies to support rental housing and home ownership can increase windfall gains for private landlords to make housing less affordable over the longer term.

Community Land Trusts & CLB's

- Half the cost of a house is typically the cost of its site.
- **Community Land Trusts (CLTs)** and **Co-operative or Community Land Banks (CLBs)** make housing affordable by removing the cost of the site from the cost of housing.

This objective is achieved by:

- CLTs obtaining a gift or grant to acquire serviced sites
- CLBs making land and services self-financing.

As a result the number of affordable houses from:

- CLTs is limited;
- CLBs is not limited and are most efficacious when they include commerce and industry to add value.

Duplex Dynamic Community Ownership

Two components of property value:

1. Investment on the site & site specific amenities;
2. External investments servicing the site



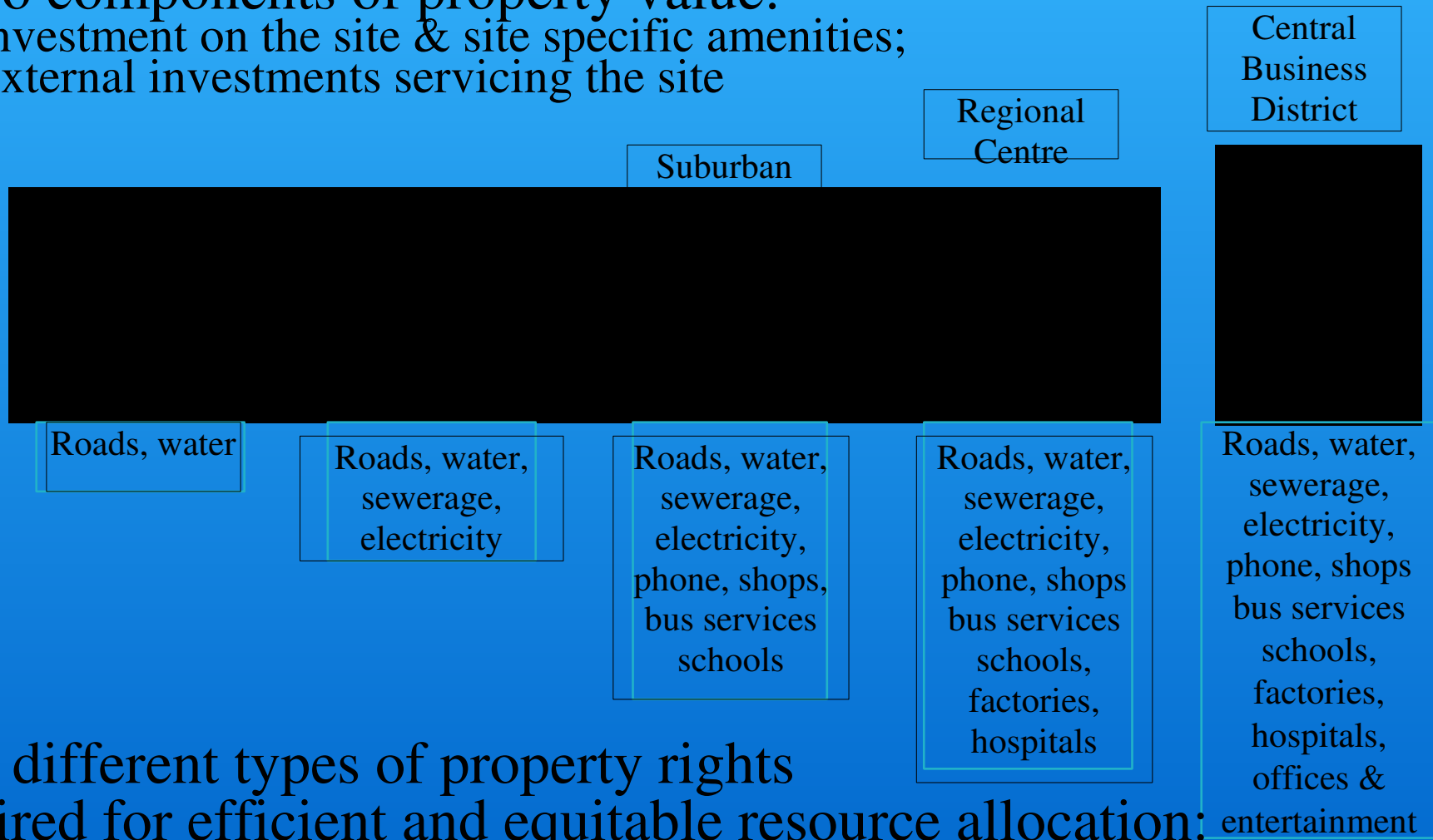
Two different types of property rights required for efficient and equitable resource allocation:

1. “Dynamic Lease (DL)” or Strata title for space occupied, &
2. Equity in Community Land Bank (CLB) capturing external values

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Plutocratic V's Ecological Corporations

	Type of Corp.	Plutocratic	Ecological
1	Corporations	Perpetual life	Limited life (20 years)
2	Ownership rights	Static and monopoly	Dynamic and co-ownership
3	Owners	Located anywhere	Mainly local
4	Creation of corporations	Entrepreneurs & investors	Entrepreneurs, investors and mature fecund corporations
5	Size of corporations	No inherent limit by investors	Limited by investors need for payback of investment and return.
6	Number	As at present	Many more smaller corps.
7	Corporate governance	Limited to shareholders but mostly internally self-determined	Competitively and dynamically determined by stakeholders
8	Regulation	By government	By stakeholders and so by local requirements

Global architecture of community based Ecological Capitalism

Level	Principal role	Other roles	Source of funding
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Dominant characteristics of social change: Past, Present and a Sustainable Ecological Future

Characteristics	Past	Present	Ecological Future
1 People treated as	Property	Resource	Potential
2 Role of women	Breeding	Cheap labour	Full partners
3 Purpose of work	Sustenance	Income distribution	Fulfillment
4 Distribution of national income.	Employment	Employment & government transfers	Employment & transfer of property income
5 Relationship to the environment	Subservient	Dominant	Stewardship
6 Natural resources	Use	Exploit	Sustain
7 Source of land acquisition	Conquest or inheritance	Purchase or inheritance	Use and/or purchase
8 Period of land ownership	Time of use	Perpetual	Time of use & so limited
9 Source of business ownership	Start up or inheritance	Purchase/start up & inheritance	Start up, investment and stakeholder rights
10 Business owners	Proprietors	Shareholders	Stakeholders
11 Period of business ownership	Life of owner	Perpetual	Limited
12 Property rights	Discretion of Sovereign	Static, monopoly and perpetual	Ecological: dynamic, inclusive, time limited

Dominant characteristics of social change: Past, Present and a Sustainable Ecological Future (2)

Characteristics	Past	Present	Ecological Future
13 Structure of business	Paternal and centralised	Hierarchal and centralised	Decentralised stakeholder mutuals
14 Monopolies	Granted to private interests by Sovereign	Prohibited or controlled by	Eliminated by time limited dynamic rights
15 Institutions	Perpetual	Evolving	Dynamic
16 Basis of money	Commodities	Fiat of government	Goods or services
17 Creation of money	De-centralised competitive basis by private sector	Centralised government controlled monopoly	De-centralised competitive basis by private sector
18 Cost of money	Cost of storage & quality control	None, earns interest	Cost of insuring integrity
19 Allocation of resources	Command & control	Markets & hierarchies	Use, benevolence, semiotics & markets.
20 Value system	Absolute	Materialistic	Humanistic
21 Distribution of economic values	Autarchic	Market forces	As to stakeholder contributions & need
22 Accumulation of economic value	Limited by political power	Not limited	Limited by ecological property rights
23 Economic & political power	Centralised in Sovereign	Government & big business	Decentralised to communities.
24 Power architecture	Hierarchy	Oligarchy	Holarchy as in nature

Questions?

Discussion?

Academic papers, books and PhD Thesis

Available at <http://ssrn.com/author=26239>

(Including: *Democratising the Wealth of Nations*, and *Building Sustainable Communities*.)

Assumptions about behavior (1)

	Old Economists	New Economists
1	Unlimited appetite	Appetite determined and limited by the necessity of maintaining the organism in a state of dynamic equilibrium.
2	Completely informed	Reduces, condenses, summarises (and thus necessarily loses) information. In addition, an 'imperfect' communications network in the environment also restricts and attenuates the flow of information.
3	Consistently orders his/her preferences between outcomes over time.	Does not consistently order his/her preferences (ie, changes his/her mind over time, may prefer A to B, B to C but C to A).
4	Maximises something (usually one thing).	Attempts to optimise with respect to a large number of criteria (needs).
5	Competitive	Sometimes competitive, sometimes collaborative, usually both.

Assumptions about behavior (2)

	Old Economists	New Economists
6	Requires a value system only in order to provide a criterion against which to maximise (e.g. profit, utility, prestige and power).	Requires a value system in order to provide a framework for the ordering of needs, the selection of information and the weighing of multiple decision criteria.
7	Not explicitly related to the world as an element in interactive system and remains unchanged as a result of any interaction.	Stands in an interactive cybernetic relationship to his/her community and environment and is changed as a result of any interaction.
8	No significant differences between individuals.	Differences between individuals are significant and important.
9	No limits on information processing capacity, so is unaffected by differences in rates of change.	Limited information processing capacity so prefers slow rates of change, (ie. nearly stable systems).
10	Needs are simple and few.	Needs are simple and many.

Framework of Analysis (1)

	Differences	Old Economists	New Economists
1	Activities which provide the basis for formal economic study	Production and exchange of goods and services	Production and exchange of goods and services and the transformation and exchange of assets and liabilities
2	Sources of increased production or productivity	Principally labour	Principally machines, structures and organisations
3	Sources of private economic value.	Production	Production, tenure and consumption
4	Social objectives	Full employment, higher standards of living	Economic independence, personal fulfillment
5	Criteria for resource allocation	Profit	Cash-flow
6	Notion of 'Capital Goods'	Various, imprecise and confusing, e.g. 'Income producing assets', 'Produced means of production'.	The means by which nature is made to yield her resources more abundantly - evidenced by producing a positive cash-flow

Framework of Analysis (2)

	Differences	Old Economists	New Economists
7	Real capital formation	Past savings or consumption forgone	Past savings or future savings and new consumption
8	Basis for economic management	Monetary and fiscal policies	Monetary, fiscal and tenure policies based on ecological principles
9	Concept of wealth	Various and conflicting, e.g. 'Income', 'Income producing ability'.	Value of assets less liabilities
10	Criteria for economic development	Increased income per person	Increase in the quality of the sustainable social and/or physical environment
11	Structure of: money, banking, corporations, ownership & control	Assumed not to vary from some unspecified model	Based on current reality which may be subject to continuous changes
12	Human behaviour	Assumed model (Refer to previous Table)	Based on psychological profile (Refer to previous Table)

Plutocratic V's Ecological Capitalism (1)

	Capitalism type	Plutocratic	Ecological
1	Geographic diversity.	Uniform system within nation based on historical heritage and/or ideology and/or theories of economists.	Diverse types of systems within a country determined by host bio-region.
2	Consumption of goods and services.	Not related to environmental opportunities & costs.	Determined by environmental opportunities & costs.
3	Economic management	Subject to government intervention	Self-correcting from stakeholder checks & balances
4	Structure of banking	Centralised	De-centralised
5	Money (Refer to Money Table)	Not related to environment	Defined in terms of output produced locally

Plutocratic V's Ecological Capitalism (2)

	Capitalism type:	Plutocratic	Ecological
6	Type of property rights	Perpetual, static, monopoly ownership	Time limited, dynamic inclusive co-ownership
7	Acquisition of property rights	By investment & inheritance	By investment, inheritance and interest as a stakeholder
8	Ownership of land & buildings	Unlimited by area, size and over time	Limited to use of private improvements by individual
9	Duration of ownership	Not limited	Limited by stakeholder status
10	Ownership of land, housing and the means of production and exchange	No limit to extent or nature of ownership	Local ownership and control automatically maintained by time limited dynamic stakeholder property rights.
11	Corporations (Refer to Corporate Table)	Perpetual life with static monopoly tenure rights	Many more locally owned but with limited life dynamic co-ownership rights.