

# **Moral Money and Finance: A Local Nested Economy that Works for Us and the Earth, Not Us and the Earth Working for Money**

## **Chapter 3**

### **Natural and intellectual capital and the commons; seeking a new way**

Natural capital and intellectual capital are not directly a part of the money system, but they are a significant part of what money is currently used to value, so they need to be considered in the discussion of money.

Lets discuss natural capital first. The earth and its assets, natural capital, were here before we came on the scene. In 'primitive' societies, these assets were not privatized, as we have done in Western culture. The earth was a commons. Much of this commons has been privatized/enclosed. Privatization was not a democratic process. [Steve Roth](#) has clearly demonstrated that private ownership is dependent on violence, and as practiced in our present culture, the violence of the state.

The idea of private ownership was locked into the land tenure system by the authorities that enclosed the commons, who wanted control, not democracy. The practice has continued even as we attempted to become democratic politically. This hanging on to the authority of ownership in the economy has allowed us to justify the fact that benefits derived from natural capital logically go to the individual or group that has gained ownership.

This could happen because of the failure to link freedom and responsibility. Ignoring this relationship is becoming fatal for the long term survival of Western Civilization. We need to question the moral logic of private ownership.

In a democracy, what right do we have to privatize and use earth assets for personal gain? Better said, how do we rightly assign the rights and responsibilities of being stewards of particular pieces of the earth? These are questions that we must allow ourselves to be challenged by at all scales, from local communities to the community of all people in the world, utilizing the criterion of justice in the use and care of the earth and each other.

A serious argument can be made that much of the built environment also becomes a part of the commons. The creation/accumulation of the capital/claim on commitment used to construct large parts of the built environment has been enabled by the private taxation of the unearned portion of profit, and the resulting control of the commitment of the citizens of the community to build what the controllers wanted.

The claims on commitment created by private banks and their owners were acquired through the ability to create fiat money/claims on commitment, without acknowledging the corresponding commitment on the part of the users of the money they created. This corruption of the money system made possible the use of raw power through profit.

What is legitimate to privatize? As noted, the natural environment was here before we came on the scene. The built environment was funded by the populace; much of both are rightfully kept as commons.

We have to learn to dispense with the concept of ownership, and instead consider rights and responsibilities of use and management. The homes we live in and personal artifacts we use, *may be* considered appropriate for private ownership. Other than that possibility, little else is legitimately privately owned in a democracy. Everything else is part of the commons to be managed by humans as stewards and members of community.

Again, decisions on this issue must be made at the community level, utilizing the moral measures of justice, cooperation, competition for excellence, and compassion, not personal gain at the expense of others; the rights/responsibility equation in action. Cooperatives are a natural structure to carry out this function.

However we must recognize that the community level for stewardship of resources such as clean air, clean water, and non-renewable resources includes all of humanity. Humanity is also responsible for humanity. A large portion of savings, in this context, is a part of the commons. Working together to provide insurance against risk, and caring for those who are unable to contribute or contribute in a non-monetary way, is a community effort and responsibility.

Related to physical assets is the question of knowledge; intellectual assets that are created by people; intellectual capital. Copyrights and patents now give their owners the right to control intellectual property, making it possible for them to receive a private tax by charging more than their effort, and/or worse yet, preventing the general production of, and innovation on, new technology. We must ask whether these rights are valid in a democracy.

The [drive for profit](#) as the primary directive of the present money system is a major motivation for militarism, bullying, promotion of fear and anger in the population, terrorism, the idea of "take care of number one" without consideration of others, and many other ills. Creative capital is capital that provides for the provisioning of goods and services useful to its users, not fear and bullying. The motivation for trade becomes the act of provisioning, rather than profit. The present system creates nefarious capital as well as unwanted debt.

Cancellation of debt is not even considered by most economists. One exception is [Michael Hudson](#). Write down/cancellation of the debt created by our present money rules is going to have to be a part of the move to a democratic money system and economy. Bailing out those who will lose power as we try to become more democratic economically will only continue bad aspects of the status quo.

Both production for use, and innovation, need to be considered in terms of their value to society and how much the producer or innovator will rightfully claim for their time and effort. [Open source](#), the Creative Commons [Attribution-ShareAlike](#) licence, [Copyleft](#) and [Copyfair](#) are attempts to open this discussion. Open source,

democratic, not for profit, people created mutual money supports this paradigm.

So if we want a world that is sustainable, resilient, and promotes justice for all, it is imperative that we change the way we do money. The present system, with its requirements for exponential growth and continually increasing the divide between rich and poor is inconsistent with these goals.

Georgist thought is relevant to this issue. What Georgists call [land rent](#) is an example of the unearned portion of profit, in this case derived from ownership of land. Implied in the Georgist land tax is a responsibility to the greater good of the local and the larger community of humans and nature that comes with the right to be the steward of that land.

The work of [Elinor Ostrom](#) is also relevant to our discussion.

Ostrom's first four principles describe the values that guide the appropriate use of the commons: "1. Define clear group boundaries. 2. Match rules governing use of commons goods to local needs and conditions. 3. Ensure that those affected by the rules can participate in modifying the rules. 4. Make sure the rule-making rights of community members are respected by outside authorities."

Her fifth through seventh principles discuss the values that are involved in enforcement: "5. Develop a system, carried out by community members for monitoring members' behavior. 6. Use graduated sanctions for rule violators. 7. Provide accessible, low-cost means for dispute resolutions."

Ostrom's eighth principle for managing commons describes the nesting of scale "Build responsibility for governing the common resources in nested tiers from the lowest level up to the entire interconnected system."

Ostrom's principles are impossible to initiate in the context of the values built into our current money system. Removing the unearned portion of profit from the structure of money is a necessary step in the process of change. Simple money does so, and unlike our present money, follows all of Ostrom's principles in its organization, starting at the local and individual levels and moving upward only when appropriate.

### **Conclusion: How do we get to better money?**

Trust in the present money/financial system is waning. Its need for exponential growth is not consistent with a finite economy, so it is not long for this world. We need to be creating an alternative that is viable, and consistent with democratic values.

Simple money can do this. Centering the power of money creation locally in a nested system, and structuring it to promote provisioning instead of profit, makes localization of other institutions and habits that don't happen in the context of the present money system viable. Communities are empowered to come together to support their needs.

Finding ways to deal with or replace the income held by small savers, and redistribute or cancel that of those who have gained much wealth as a result of their operation and manipulation of the current money and financial system, are issues before us. Some of this will simply happen as the present system collapses and is replaced by sustainable and resilient money.

Large chunks of assets will become stranded, and lose their book value to their current owners, a source of resistance to change. The fossil fuel industry is a case in point. Even home owners will be affected, losing title, but not use and ability to convey to the next generation, assuming that is the agreement of the community. We have to learn to develop policies and make such decisions together.

Following Buckminster Fuller's idea that we don't concentrate on what is wrong, but on creating institutions that serve those of us who use them, and exhibit moral values that are consistent with what we need and want, we create a new system, and let the old one go its own way, as it doesn't serve our use.

We don't have to address all of these issues at once. It will take time to find the utility of living in a commons. If we start with simple/mutual money, with its attitude toward capital, people can begin to recognize and operate within the paradigm of cooperation as well as competition. Competition can then become competition for excellence and innovation, rather than personal gain at the expense of others as is currently the case. As cooperation and community become stronger, the utility of sharing commons will become much more apparent.

The introduction of simple money as a disruptive technology, in parallel with the present system, can begin at the local level, and then spread and connect. It doesn't require government approval, although its users may still be liable for taxes on their transactions.

Simple money will initially not be coin of the realm; useful in payment of taxes, but it will be useful to its users, and will demonstrate this usefulness to them, and those they deal with. Acceptance can be gradual, as approval and growth of use is gained. Simple money can support alternative businesses and institutions in their development and operation. In time, it can be acknowledged as official coin in local jurisdictions, and then larger ones.

Open source Holochain accounting systems are the natural form for mutual money to be organized with our present technology. However in setting up democratic exchange platforms, it is important that all the values built into the simple democratic system are implemented.

Instead of 'mining' for money, money will be created as a commitment to other members of the community. Balances will revolve around zero instead of always being positive to maintain the zero sum game. With these provisions, the money supply is automatically regulated.

It is important that systems be limited to a community scale, and that users know who each other are, so trust can be informally as well as formally supported. Structures need to be put into place so that users set limits on positive and negative balances, to prevent abuse. Crowd funding can be structurally facilitated, as well as community funding.

Another necessary criterion is to choose a universal unit of account that is representative of the work performed and traded. Physical objects or symbols of physical objects are poor measures of this symbolic value, as their value is affected by supply and demand.

Remember that what we trade is our willingness to spend our time doing something for others that we can do, and trading that time and effort for the time and effort others spend doing what they do. An accounting system structured to measure time and effort is the functional solution.

Though imperfect, the hour of work is the best indicator we have of time and effort for a money unit. It will have to be used flexibly, as some work is more stressful and/or dangerous than others, and some work is less desirable than others. The place of prestige in considering the value of current highly paid work will inevitably grow less. What is now seen as low prestige work, will make gains.

The hour of work as a measure of value reflects the idea of the disaggregation of profit. It values the time of all prosumers as of more or less equal value, rather than how much unearned money the market will bear. We need to replace the word profit with the names of its components; value of work done, and private tax on the market.

A very small demurrage charge on outstanding balances will be appropriate to cover system expenses and promotion. This will be a lesser expense than current charges for credit and debit transactions. It also will promote long term thinking, and the desire to replace money with things and services that are useful to us and our neighbors, instead of accumulating it.

Local, democratically created money can be used to promote the local economy and do things that for profit money doesn't support. We can concentrate on local needs instead of how to get enough money to export some of it to Wall Street as a private tax to benefit the 1% and .001%. Bernard Lietaer has noted that when this type of system is put in place, it promotes the [gift economy](#), a way to contribute without having to be paid.

A big challenge is maintaining circularity in system operation. It is imperative that all members of a community who are able to be productive are able to both earn and spend in equal amounts, with those who are unable, or doing unpaid work are supported by those who are able through formal or informal arrangements, locally decided upon. Success depends on circularity, just as the success of a natural ecosystem depends on circularity.

This contrasts with the current economy that operates in a source/sink mode

where stuff, and in many cases people, are mined, used and thrown away, rather than the circular mode where everything is recycled or reused. The idea of enoughness comes in here. We have to come to realize that, contrary to advertising, we don't always have to be getting more new stuff.

As communities become more cohesive by making financial decisions together, and relate to other communities in the same way, the influence of mass media to manipulate opinion and knowledge will weaken. Reality about the state of the world and its problems will become more obvious.

Global warming, extinctions, degradation of soils and habitat which we depend on for our food supply, financial institutions taking advantage of their clients, militarism, etc, etc, can be dealt with, as is already being attempted in some localities. Government taxes will need to be looked at, to see if they serve the people who pay them, fulfilling the responsibility end of the rights/responsibility equation on the part of the governments. This will require pressure for participatory budgeting at all levels.

According to [Ellen Brown](#), the central banks see the advantages of Blockchain money, and are beginning to build their own platforms. Getting distributed power Holochain platform systems in place before authority based BlockChain platforms gain strength can facilitate acceptance.

Are we ready to replace our present money with money that works for us instead of us working for it, or are we going to try to fix it with half way measures or leave it in place and attempt to control it? Neither of the last two choices has a good long term prognosis. A democratically structured disruptive technology such as simple money has a much better chance of success than an attempt to morph the present system into something that in its structure and function, serves us, its users, over the long term.