The next CATALYST theme will be **Civilizing the economy**

Please submit article concepts and recommendations for resources to: CATALYSTsdr@gmail.com

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**Catalyst: Civilizing the Economy**

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**What to Expect**

CATALYST was designed to stimulate thinking and encourage conversation about the role of strategic design in defining and developing an economically, socially and environmentally sustainable future. We have included numerous external links throughout the text and in the form of “related resources” at the end of each article. CATALYST is accompanied by a blog that is our means of continuing the conversation between publications. Blog posts are related to, as well as unique from, those in the digital publication. You can find the CATALYST blog on our website: http://www.CATALYSTsdr.com.

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**Catalyzing the Conversation**

Catalyst was designed to test the boundaries of what we traditionally think of as design. It is meant to speak to those broadly interested in design issues, across disciplines. Our readers are interested in how our world works and they are actively exploring how we might redesign systems that are more robust and resilient. They are problem solvers and opportunity shapers. In this issue, we search for opportunities in the design of financial systems that can help stabilize, civilize and sustain our shared world.

It may be unusual to think of reforming financial systems as a design project, but the current design of our financial systems is creating problems for nations worldwide. These problems need to be solved. But, how we solve these problems will shape the future of our world. How to design a financial system that operates across borders and advantages commerce, community, culture and the biosphere upon which all three depend?

Well, ideally, financial systems are designed to act as arteries flowing capital to energize and restore communities, commerce and culture and the biospheric systems upon which all three depend. Our current system is not enabling this. It is a system that needs to be re-designed as well as reformed.

In this issue, we explore the design of market exchanges in terms of capital flows and consider capital as a form of energy with restorative power. Capital is, quite literally, the lifeblood of communities. Financial systems that enable access to capital and encourage its wise use are essential for the common good.

We look at the intimacy of exchange and the role of artisan crafted product is creating an economy that is robust, but human scale. And, we examine our role as investors playing in markets that impact lives. We examine the “new normal” of sustainability reporting as a best practice which requires tracking new numbers and assessing true costs. Viability is “the bottom line” for business and business is changing to reflect the realities of a new carbon counting century.

Join us as we follow those like Marvin Brown whose work on civilizing the economy inspired this issue. Designing a future economy will mean moving from a focus on the crisis in current markets toward a design brief for a future where capital is used to cultivate community and to enliven as well as enrich.

A new world will require a new understanding of the importance of design and how design thinking and practice can be used to shape systems as well as objects. We hope you will use your own systems to share Catalyst and to continue the conversation.

Dr. Mary McBride

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Dr. Mary McBride
Director of the Design Management Program at Pratt Institute
From the Catalyst Blog

Liga Masiva’s Profitable Business Model “People, Not Commodity Prices”
By Dyanis De Jesus

“Liga Masiva” loosely translated from Spanish to English means “massive league”, it can also be described as a diverse group that gathers to form a strong and powerful movement. Emily Kerr selected this assertive name for her venture company, Liga Masiva, back in 2009. Today, her vision of “shopping the farmers market at an international scale” entails connecting small-scale coffee farmers from the Dominican Republic with coffee lovers all over the world. Liga Masiva defines their mission as direct, human-centered and sustainable. Emily’s definition of profit is not previously considered.

“We buy direct from the people that grow the products and then sell them direct to the people that enjoy them.”

Liga Masiva focuses around people. Collaborative work with the farms is driven by the farmers, and the produce is driven by consumers. However, sustainability is also a key component of their practices. They start by paying competitive prices to smallholder organic farmers in support of environmentally sound processes such as natural fertilizers for the plantations. They follow these efforts all the way through their packaging that is designed to have the least environmental impact possible.

With people and planet in place, how are they making profit? Liga Masiva has been in the business for almost 3 years, and began, with founder Emily investing her own savings of about $7,000. She was inspired to start her company during a student trip to the Dominican Republic where she learned about the coffee farmers, and saw their frustration of barely making a living. Liga Masiva now proudly employs a team of five highly prepared professionals at the core of their operation, and is looking into future opportunities to expand the same model beyond coffee.

The true bottom line for Liga Masiva are the farmers, as stated in their website, “turns out, the better we all do, the better we all do”. The farmers who partner with Liga Masiva have increased their earnings about 168%. The 12-ounce bag of coffee, which sells for $15, is always packed within an hour of being roasted and shipped the same day. Emily is confident that she is not only enriching the lives of the farmers, but also of her customers, allowing them the chance to taste this vibrant, high quality coffee.

If you would like to taste for yourself, visit their website where you will be able to shop this rich brew, and learn directly from the farmers’ stories about how Liga Masiva coffee is making everyone’s lives richer.

Will Designers be the Creators of the Next Efficient Business Model?
By Tyna Durnars

As we witness major failures in the role of business and our economic system, we can’t help but to ask ourselves, who will create the next efficient business model? One could argue that with all of this uncertainty, now is the time that we need to discover the next driving force to put innovation at the forefront of American entrepreneurialism. And according to author and Professor Bruce Nussbaum, designers are the catalyst capitalism needs to accomplish this in the 21st century.

A model in which designers spearhead business initiatives is “cause for true optimism,” says Nussbaum. Designers are trained to apply critical thinking throughout every step of the design process. They bring creative problem solving techniques, and business acumen to the entrepreneurial table; a skill set necessary for successful business strategy in our changing economy. Entrepreneurs with design backgrounds have skyrocketed to success through innovation – YouTube, Slideshare, Flickr, and Vimeo, to name a few.

These tough economic times have lead many creatives to design their own means of survival. In true Darwinian fashion, these out-of-the-box thinkers have capitalized on the start-up model time and time again.

So what does this trend in design entrepreneurship mean for big business? For Nussbaum, the common understanding of the word “creativity” is a broader and more inclusive term than “design,” accepted more quickly by venture capitalists, engineers and business people. Creatives have long been a part of industries such as advertising, but with new business models we are seeing creatives, as leaders, sprout up in industries not traditionally inclusive of design professionals. Embracing “creativity” is a key for designers to consider as they position themselves for the “I” word - funding.

More critical change from big business to new business is the concept of framing. Through their product or service, entrepreneurs must “connect existing dots in unique ways,” creating a unique business spaces not previously considered.

Hundreds of thousands of products and services exist on the market today, so “how does your product differentiate from what your competitors already offer? Has this been done before?” These are only a few of the questions budding entrepreneurs will be asked prior to receiving one penny from a venture capitalist.

Nussbaum’s suggestion that creatives are the catalyst needed to transform presentday entrepreneurialism is echoed by many business experts, as well as higher education institutions that increasingly foster the role of designers in business. Traditional business models have been put to the test in recent years, and their weakness and inability to adapt to the needs of an evolving economic landscape is now exposed. This presents the perfect opportunity for the strategic and creative thinking of designers to guide the transformation of the current system in to a successful and sustainable economic future.
Executive Summary

In a follow-up to Catalyst’s first article on the High Line Park in 2008, Manhattan’s “Park in the Sky” has taken the world by storm. This past June, 2011, High Line opened its second section (an additional half-mile stretching now to an entire mile on the city’s west side). With this recent addition, the park has seen a surge in visitorship and has served as a success story for public space initiatives across the country, including the Bloomingdale Trail, Jersey City’s “Embarkment” and countless others. The High Line has addressed a new paradigm of business practices requiring an integrative approach that considers all facets, including community and the environment.

Civilizing the Neighborhood

BY AV GOODSELL

The High Line, Manhattan’s mile-long “Park in the Sky,” filled with over 300 free public programs, and visitors from every country, has propelled a new sort of economic system for a sustainable future. Based on a desire to create community engagement through an integrative and sustainable program, the park has become a symbol of innovation and prosperity in these tough economic times. The High Line has addressed a new paradigm of business rules by demonstrating that what defines economic success is not only the bottom line of generating profit, but a more integrative approach that considers all facets of the stakeholders and the environment.

Frequented by more than four million visitors since its initial opening in 2009, the High Line, stretching from Gansevoort Street to West 30th in Manhattan, has become known as one of the coolest places to visit in New York City. It has transformed the Meat-packing District and Chelsea areas into more attractive neighborhoods and development opportunities. While the park itself is a breathtaking spectacle with its incredible views of Manhattan peeking through lush foliage, this aesthetic is not the reason people have come to love it. The High Line has come to life because the community was given the freedom to voice their ideas and make them a reality.
BACK IN 1999, when local residents Joshua David and Robert Hammond decided to start the nonprofit, Friends of the High Line (FHL) to save an abandoned rail structure – not knowing how they were going to achieve that goal – they decided to trust their instincts and reach out to the community for their ideas, expertise and buy-in. This made the High Line what it is today. The thriving sense of community and the people behind its existence – the volunteers, gardeners, donors, and staff – have exercised an integrative thinking approach to provide a new perspective on how to grow the economy and define success through the creation of this park.

The project has raised over $220 million in public and private funds and recruited over 200 volunteers to greet visitors, give historic tours, pull weeds, and manage food events like the High Line Soup “Social Experiment” in October 2011. The park just keeps getting better as the community of supporters becomes even more engaged, and those who are already benefiting keep generating new ideas to continually grow the organization. Whether they realized it at the time or not, Joshua and Robert were introducing a new and innovative way to approach business creation and transformed an old business paradigm focusing solely on profits into a new economic model that brings economic, social and environmental value to an organization and creates competitive advantage.

In true communal fashion, at the High Line Food Open House in March 2011, guests were asked to provide input on food availability in the park. Feedback was critical as it established the parameters and expectations of the park’s bustling 2011 season aligned with those who are most often involved in the experience. Whether they realized it at the time or not, Joshua and Robert were introducing a new and innovative way to approach business creation and transformed an old business paradigm focusing solely on profits into a new economic model that brings economic, social and environmental value to an organization and creates competitive advantage.

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After all, it is not just another cool park, but it is the ability of a community to come together and connect their objectives to a framework in a new and innovative way in order to create and distribute economic prosperity. Giving more reason for the park to expand its food programs in the off season.

In addition to consistently engaging users, the High Line works hard to build deeper relationships with its neighbors. 5,000 New York City Housing Association low-income residents live right next door to the venue and the local Youth Corp of teens are employed in every department of the Friends of High Line. The group gives public tours and blogs about
Civilizing the Economy

“The High Line has come to life because the community was given the freedom to voice their ideas and make them a reality.”

engagement. However, what is magical is the high standard of design, care and attention the park exhibits on a daily basis, along with the regular swarms of people who have felt liberated to live, work, play and dream in this gem of a place. It exemplifies a new-found freedom from the hustle and bustle of city life allowing many New Yorkers to feel a part of something different and so well-integrated with their existing environment. The framework made up of plants, paths, staircases and vistas is just that, a framework that the community has utilized to bring together social, economic, and environmental value opportunity with respect for their existing space and culture.

Cities around the country are trying to achieve what the High Line has done for New York City. Chicago’s Bloomingdale Trail, Philadelphia’s Reading Viaduct and St. Louis’ Citygarden are working on plans to revitalize their derelict railways. A point in favor of reuse is that it can be cheaper to renovate old structures than to tear them down. But, despite the High Line’s visibility and help in improving neighborhoods and attract development. But they may be missing the point. While the story of the development of the High Line may be one of the most innovative urban revitalization projects in history, the real story lies in the ability of neighbors, elected officials, artists, local business owners, and leaders of burgeoning movements in horticulture and landscape architecture to come together as a community to create something so well integrated with their existing environment. The ability of a community to come together as a community to create something so well integrated with their existing environment. The framework made up of plants, paths, staircases and vistas is just that, a framework that the community has utilized to bring together social, economic, and environmental value opportunity with respect for their existing space and culture.

IV Goodsell
IV Goodsell works as the Office Manager for Friends of the High Line and will be graduating from Pratt Institute’s graduate program in Arts & Cultural Management this May. A transplant from the Pacific Northwest, IV has a strong background in non-profit administration and management in a variety of cultural institutions, including Seattle’s Pike Place Market Preservation & Development Authority and the Bill & Melinda Gates Foundation. She hopes to become a leader in strategic management and to further utilize her expertise in working with businesses on developing sustainable organizational practices. Prior to her graduate studies, IV received her B.A. from the award-winning Community, Environment & Planning (CEP) program and Interdisciplinary Visual Arts from the University of Washington.

RELATED READINGS
High Line: The Inside Story of New York City’s Park in the Sky by Joshua David and Robert Hammond http://www.thehighline.org/Motivational Theories
To design and make things by hand is as old as civilization—it is in our DNA as humans. It was not until the Industrial Revolution that mass production in factories transformed manufacturing and removed the human element from the goods we interact with and use on a daily basis. Today, many companies are taking steps to recapture the allure of artisan products as a response to growing consumer demand. Just this year, companies such as Domino’s Pizza have launched marketing campaigns for their “artisan pizza line” and even mega-retailer, Walmart, is introducing an e-commerce extension to their website that showcases crafts made by women artisans.

Yet, the very definition of the word artisan connotes a “meticulously handcrafted product made in small batches,” thus artisan products coming from a multinational corporation are almost an oxymoron. This raises the question: can something so big still be authentically artisanal? Or is artisanal it just another marketing tactic to gain market share?

Executive Summary

With large corporations cashing-in on the allure and intimacy of artisan crafted products, Etsy—the largest online handmade marketplace in the world—maintains its authenticity as a company that is human-scale by design. An interview with Randy Hunt, a creative director and product manager at Etsy, gives Catalyst an inside peek at why handmade is more than just a means of production or a marketing ploy, it is a way of living and of viewing the world.

Intimacy of Exchange

INTERVIEW BY KIRSTIN HOFFMANN AND EVELYN KIM

© Etsy
AND THEN THERE’S ETSY, the world’s largest handmade marketplace, yet its size does not seem to degrade its authenticity. Since 2005 the company has been a leader in the revitalization of handmade by designing a democratized e-commerce business model that opens the consumer market to anyone who makes things by hand. Today, this amounts to more than 400,000 crafters and counting. But, Etsy is more than an online marketplace; it is a community of people passionate about bringing handmade to the forefront of commerce. The company’s ethos is what preserves their authenticity — right down to the handmade desks that furnish their Brooklyn offices and the hand-letter-pressed business cards their team proudly shows off.

We had the opportunity to sit down with Randy Hunt, a creative director at Etsy, to learn more about how Etsy views its place in the world of big business, how handmade is more than just a means of production, and why small is beautiful.

Tell us a little bit about yourself, what you were doing before Etsy and what drew you to Etsy?

RH: Before Etsy, I was running a start-up that curated design work. We were helping independent designers market, merchandise and sell products they created themselves. I’ve always been interested in independent commerce. Being a designer myself, I have a personal interest in designers; to help them build a business or sustain a business and livelihood for themselves. This is the core of Etsy and what brought me to Etsy.

In your own words, what would you define as handmade?

RH: I would define handmade as a level of intimacy. It’s more than a creation and exchange of something. It’s a way of living, a way of looking at the world, not just a means of production.

What would be a good metaphor for how Etsy is designed as a company?

RH: Well, there are two parts to this: Etsy’s relationship to the world and Etsy’s relationship with ourselves internally. Our founder, Rob Kalin, uses a children’s book to describe Etsy’s vision, how we function as a company and how we relate to the world. The story is about a group of little fish that get scared away by a big fish. Swimmy, this one little fish, says “we don’t have to be a big fish... we can all work together and be a big fish together.” So, all the little fish band together to form one larger fish and ward off the bigger bully fish. That’s really the guiding principle for how we organize ourselves at Etsy, internally and externally. We don’t intend to be big for the sake of being big. Etsy is about laying down the groundwork for other people’s success. It’s about creating an environment where people do what they do best. It’s very much about aligning people, and providing challenges and ownership to build mutual respect.

What is unique about the 21st century that has enabled Etsy to grow so significantly?

RH: This may seem simplistic, but I think the biggest thing is the distribution opportunity enabled by the Internet. The Internet can easily distribute an idea, which doesn’t necessarily make the idea successful, but it gives it the opportunity to grow if it is. Six years ago, there was also a resurgence of craft, DIY (Do-It-Yourself), and design intersecting with technology. Conceptually, the idea of making something yourself as a way to avoid mass pro-
duction, has gained in popularity as well. These trends and cultural shifts coupled with the accessibility of the Internet have all helped our growth.

Is Sustainability directly incorporated into the culture at Etsy? What does Etsy define as sustainable?

RH: Internally, we have this office ecology that makes sustainability inherently baked into Etsy’s values. For example, every desk in the Brooklyn, NY, office is handmade by an Etsy seller—almost all of them made from re-claimed materials. Triple Bottom Line is in our culture but there’s not a notice that says ‘you must do this’ – we’re more genuine than that. I don’t think you’ll ever see us say: “Etsy is green!” It’s a way of living in the world, it’s not a bullet point to be fulfilled or a way of getting attention by waving our hands.

How does the story behind a handmade item contribute to its appeal? And what makes an Etsy seller successful?

RH: The idea of the story behind a product: what it is, what it’s made of, where it’s been, where it’s going - these are all the stories of the thing. Some Etsy sellers, the successful ones, always tell that story behind their product. They do that naturally, and at Etsy we go out of our way to highlight those stories. The story will be built into the product. This story creates a connection and conversation so that the material exchange becomes person to person. There’s a value in this connection that very much speaks to a human-scale economy. In 1973, E.F Schumacher wrote in his book, Small is Beautiful, “With practical people in the actual world there is a tremendous longing and striving to profit, if at all possible, from the convenience, humanity and manageability of smallness.” By strategically cultivating the collective power of small, Etsy is making human-scale possible and profitable while maintaining its authenticity as a company that is human-scale by design, not by afterthought or marketing ploy.

KS: In mass production, I think the efficiencies of scale create deficiencies in responsibility. With handmade there is an intimacy in the production and exchange. Handmade is a person-to-person transaction and inherently human scale - they are one and the same. It’s not person-to-brand or person-to-entity or cookie cutter retail establishment. It’s about knowing the people. The people behind what you’re buying and the story of the things you’re buying. We’re just starting to scratch the surface and we’re making the story more a part of our product.

FURTHER READING

E.F. Schumacher, Small is Beautiful, 1972
Leo Lionni, Swimmy www.dfcworld.com

“We came into being with certain values about human-to-human interaction that go hand in hand with Triple Bottom Line by Design.”

Would you say that Etsy is Triple Bottom Line by Design?

RH: Etsy is very bottom-up and organic. We came into being with certain values about human-to-human interaction that go hand in hand with Triple Bottom Line by Design. Was it design by precision and intent? No. But we have a respect for people and what they are trying to do, which inevitably affects the way we see the world.

What is the role of handmade in building human-scale economies?

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FURTHER READING

E.F. Schumacher, Small is Beautiful, 1972
Leo Lionni, Swimmy www.dfcworld.com

2 http://www.latimes.com/business/la-fi-artisan-food-20110928,0,418446.story
Policy by Design: Designing Financial Reform

BY KRISHEN MEHTA

Bruce Mau once suggested that, “design is invisible until it fails”. Good design is, in a way, transparent. It allows us to enter into an experience without feeling that we have been designed into that experience. While this may be less true of objects, it is more true of experiences. A forced experience is not usually a fun one. The best experiences are those whose design allows us to choose what simply feels or seems right. “Playing the market” is an experience. Most of our financial transactions are, in fact, designed experiences. They enable us to take an abstract with a particular valuation and trade it, save it, invest it or spend it. Cool!

Executive Summary

The most recent collapse of markets suggests a design failure requiring immediate action. This article is intended to encourage a conscious and disciplined reform of our financial system informed by strategic design intelligence rather than by partisan politics. We are all, in a sense, designers of the future. Policy makers could benefit from putting some post-its on a wall and imagining reform that renews and restarts an economy that is designed by people for people and profits both commerce and community.
WE WATCH AS BABIES trade on e-trade and the trading experience seems, quite literally, like “child’s play.” Web sites make it easy to search stock quotes and to “follow the markets”. The last few decades have not only encouraged our identities as consumers, but also, as investors.

But, we also have identities as citizens and we have an investment in that identity as well. Citizenship is an experience. It is also, in a way, an abstraction with a particular valuation. Part of that valuation has to do with the financial viability and the security of the country. Our experience as citizens is, to some degree, dependent on the design of our financial system. Most of us do not question the design of that system until it fails.

While our financial system has not quite failed, the recent downturn in markets worldwide, following the collapse of 2008/9, suggests several design flaws which indicate that we need, not only financial reform, but also redesign. If, as William McDonough suggests, “design is the first signal of human intention”, we must agree to the intention before attempting the design.

If our design intention is to create a more equitable, robust and secure financial future for citizens and to encourage cooperation among the citizens of this world then we will need to design this into our efforts at financial reform.

DESIGNING FINANCIAL REFORM

There is a not-so-funny cartoon which depicts a man sitting by a fireplace in a mansion, teaching his son some lessons of life. The son is sitting on the father’s lap, and the father is saying to him: “It goes in cycles, son. Sometimes the rich get richer and the poor get poorer. And sometimes the rich get richer, and the poor stay the same.”

That cartoon is less and less a cartoon and more and more a stark reality. The poor and even the middle class are getting poorer. Today, in the United States, the top 20% of our population holds about 84% of the nation’s wealth. And the bottom 40% have about 0.3% of the wealth, basically zero. How is this happening in one of the most affluent countries in the world?

Well, to some degree, it is a consequence of how we have designed our financial system. Arguably, what we think of as purely policy issues could also be viewed as design issues. Thinking of financial reform this way, may help to free it from partisan politics and hardened policy positions. If we want financial reform which does not encourage the rich to get richer and the poor to get poorer, we must design our policies to express that intention and generate that option.

While we tend to think of policy decisions as separate from design decisions, all policies have an intention and attempt to generate specific outcomes from that intention. Policy, like design, reviews the past for ways to begin to shape the present to create positive outcomes in the near or long-term future for a community of user groups. The best policy, like the best design, is strategic in that the intention is built into the execution and can be experienced by the user.

Herbert Simon once said that “design is the systematic attempt to change the future”.

“If our design intention is to create a more equitable, robust and secure financial future for citizens and to encourage cooperation among the citizens of this world then we will need to design this into our efforts at financial reform.”
Most policymakers announce their new policies as attempts to do just that. When we think of financial reform, we need to think of designing reforms that will shape our lives as a community of citizens and increase the valuation of and the experience of that citizenship. In this sense, citizens can be conceived of as user groups who use the financial system and who rely upon it. These user groups pay for their citizenship, sometimes with their lives, and always with their taxes.

Citizens, like consumers, expect and need predictable outcomes. They need well-designed financial policy. Policy they can depend on to help them make decisions and take action. Policy that does not lead to diminished expectations and decreasing returns for all but the very rich.

A tall order? Yes, but easy enough if we apply strategic design intelligence rather than re-use formulaic policy responses. Any country seeking to design a more equitable and robust financial future, will need to strategically address six key challenges to financial reform that will be faced by every country to varying degrees: Designing Transparency In; Designing Illicit Funds Out; Designing Revenues In; Designing Speculation Out; Designing Innovation In; Designing Opinion Out. Let us look at how the US is currently doing with regard to these six challenges.

**CHALLENGE 1: DESIGNING TRANSPARENCY IN**

On August 5, 2011, NBC News reported that a Delaware company formed just a few months ago made a $1 million contribution to a political action committee supporting a prominent political candidate and then dissolved itself two months later.

The company filed a certificate of formation on March 15, 2011, with no information about the owners or the business purpose of the entity. On April 28, the LLC made a $1 million contribution to a political action committee supporting the same candidate. The company then dissolved itself on July 11, leaving no trail of the real people behind the political mega-donation. Lawrence Noble, former general counsel of the Federal Election Commission, has called this a “roadmap” for how people can hide their identities and hide their political contributions. A corporation such as this, which was created for the sole purpose of laundering political contributions, highlights the need for a bill that was just introduced in the U.S. Senate.

This technique used by certain groups with ample financial resources to ‘buy their candidate’ would be stemmed if Congress acts on a bipartisan bill that was introduced on August 2, 2011. This bill would require states to collect information about who really controls corporations and limited liability companies that are formed in their jurisdictions. Senators Carl Levin (D-MI) and Chuck Grassley (R-IA) introduced the Incorporation Transparency and Law Enforcement Assistance Act (S. 1483) this month.

“Playing the market’ is an experience. Most of our financial transactions are, in fact, designed experiences.”

Such a bill would not only effect political contributions that seek to influence or subvert our political process, but would also affect the large inflows of illicit money that come into our economy due to the current lack of transparency. These illicit flows result from corruption, trafficking, environmental crimes, money laundering, and many other means, and easily flow into our economy because the current system does not require clear identification of the true owners. One of the major flows of illicit money from abroad into the US economy, with little or no accountability, is the flow that comes into the real estate sector. As a consequence, properties can be bought and sold and can be used to launder and legitimate illicit monies.

**CHALLENGE 2: DESIGNING ILLICIT FUNDS OUT**

Illicit funds are generated by illicit activity. They ought to be designed out of our financial system. Instead, we seem to welcome them. One example, under current US law, foreigners who bring their money into the US pay no taxes on their income and their accounts are not even reported to the US government. Unlike most of us who would be subject to such taxes, foreigners can bring as much money as they want, open bank accounts here, and they are not subject to any federal or state income taxes. This is the current law which has as its fundamental purpose the objective of welcoming funds from abroad, whether licit or not. What makes it even worse is that there is not even a reporting requirement of these accounts to the IRS unless they are required to file an income tax return.

The US Treasury Department, under Secretary Timothy Geithner, has acted courageously to introduce proposals that would require US banks to report the accounts of foreign citizens who have deposits in US banks. This new requirement would simply shed light on who has what deposits in this country. It would dampen the flow of illicit money coming from abroad. It will not affect the perfectly legitimate money that flows into the country. And we can do without the illicit money anyway, which hurts other countries and ultimately complicates our trading and security relations with other states.

This is ultimately, not only a political question, but also one of design intent. If our design intention is to grow the economy, we must decide how we want that economy to grow, what kind of investment capital that is consistent with our values and our national security. Illicit funds often come from illicit sources and tracking such funds is an important national security imperative.

National design policy of any sort must balance the needs of the few and the many. As of now, the Treasury proposal is on hold. Doing nothing is also a design decision.

**CHALLENGE 3: DESIGNING REVENUES IN**

Tax abuse is designed into our system. According to the Business and Investors against Tax Haven Abuse, over the last two decades there has been a marked increase in the use of international tax havens for the principal purpose of tax avoidance. Several hundred U.S. multinationals banks and corporations utilize tax havens to reduce or eliminate their taxes. This has the effect of shifting tax responsibilities onto the backs of domestic businesses and individual taxpayers.
Fifty years ago, corporate income taxes accounted for 23.2% of federal government receipts. Today, the U.S. Office of Management and Budget estimates corporate tax receipts will account for just 7.2% of federal revenues. The Business and Investors group believes that one significant reason for this shift is the ability of large corporations to shift income to offshore subsidiaries in tax havens. For example, according to this group:

- In 1999, TransOcean, owner of the Deepwater Horizon oil platform that exploded, killed 11 workers, and devastated the Gulf of Mexico, moved its incorporation from the United States first to the Cayman Islands and later to Switzerland, with the stated purpose of lowering its taxes.6
- In 2007, Citigroup had 427 tax haven subsidiaries, Morgan Stanley had 270, Bank of America had 115, the collapsed Lehman Brothers had 57, JP Morgan Chase had 50, Goldman Sachs had 29 and AIG had 18.3
- In 2008, Goldman Sachs, with 29 subsidiaries located in offshore tax havens, reported profits of over 82 billion and paid federal taxes of only $14 million, an effective tax rate of just one percent. This was less than one third of what they paid their CEO Lloyd Blankfein ($42.9 million).3

But, the SEC, which has been charged with implementing the Dodd-Frank Act, has not had the resources to implement the new rules. Congress has not given them the resources to do the necessary work. To implement the provisions of the new law, and to issue the regulations that would govern various sections of the law, the SEC had asked for funds but, to date, has received little to nothing.

Some members of the current Congress have gone so far as to propose that every security law ever passed, including laws passed in 1933 and 1934 which created the Commission in the first place, be subjected to a cumbersome and subjective review of their relative costs and benefits. This is unfortunate. Not only are the provisions of the new law intended to save us from future crisis not being enacted because resources have not been allocated, but the basic functioning of the SEC is being challenged.

As other countries seek an innovative edge in the development of alternative energy, The US continues to subsidize fossil fuel. This will not encourage innovation. This designs in a commitment to the power system of the past.

In 2005, with oil nearing $60 a barrel, James Mulva, the head of ConocoPhillips, told the US Senate that his industry did not need the tax subsidies for oil and ethanol. The industry needs them even less when oil is at $800 a barrel.

The Big Five – ExxonMobil, BP, ConocoPhillips, Chevron and Shell – reported combined profits of $35 billion for the second quarter of 2011. In spite of earning $35 billion just from April to June of this year, the well paid defenders of the oil industry state that we would be, in fact, increasing taxes if we withdrew these subsidies.

The lobbyists and their supporters in Congress are taking the position that ending these subsidies would decrease production and increase prices at the pump. The Congressional Research Service has said categorically that ending the subsidies would have no effect on gas prices and a trivial effect on profits. Are giveaways that affect the financial obligations of our children and grandchildren a good design for our future?

What does a subsidy actually cost in terms of equivalent taxes? Let us take the example of just a $5 billion subsidy which is a small part of what is paid to many in our economy. That is equal to 500,000 hard-working Americans each paying $10,000 in taxes to the US government every year.

Imagine, as designers of a shared future, how monies liberated from this subsidy might be used to invest in social innovation.
A reasonable argument can be made that Standard and Poor’s (S&P) willingness to give an AAA rating to the securitized mortgage backed assets contributed to the financial crisis in 2008 and 2009. S&P gave Lehman Brothers, whose collapse triggered a global panic, an A rating right until the time of its demise. And then when the A rated firm went bankrupt, S&P issued a report denying that it had done anything wrong.

Before downgrading the US debt, S&P sent a preliminary draft of its press release and economic analysis to the US Treasury which spotted a large error in S&P’s calculations. After discussion, S&P conceded that its assumptions could be subject to challenge, but downgraded the US anyway after removing some of the economic analysis from its report. One has to wonder why.

After the fiasco of ’08 and ’09, when many people lost their hard earned savings, legislation under the Dodd Frank Bill tried to bring about some changes and hold the rating agencies responsible for their opinions. The Bill proposed more disclosure and regulation of the agencies, and recommended steps to reduce any possible conflict of interest. Ever since then, the agencies have been fighting to have those provisions modified or reversed. “It’s just an opinion”, they say, “and we should not be held liable for them”.

We have already seen the effect that S&P’s recent ‘opinion’ has caused to the global economy. The power of rating agencies and their opinions is apparent in their ability to exercise pressure. This is not to condone US government spending which we all would agree is unsustainable over the long-term. But it is also clear that opinions without accountability must be designed out.

Financial reform requires strategic design intelligence as well as political leadership. This article suggests that the above six challenges can be understood and addressed as strategic design challenges that should impact policy decisions.

For example, if part of the design intention of financial reform is to close the deficit, then ending tax haven abuse and reducing subsidies that are no longer critical to our economy could add about $1.5 trillion to the US Treasury over ten years. Designing transparency in would make room for more legal capital flows and make it difficult for the US to become a haven for illicit funds from abroad. The latter may add to our economy but also threatens our national security. Designing to empower the SEC to implement laws that have already been enacted would design in a safety net for current and future generations.

Tax policy can be understood as a design for collecting necessary revenues. If we let the tax cuts expire by the end of 2012, we would have another $8.3 trillion over the next decade to reduce our deficit or to allocate to education, R&D, or other long-term investments. We could design a future full of promise rather than one full of debt obligations. And, as a nation, we could address the high level of income inequality which has an important bearing on our future.

The philosopher, Blaise Pascal counseled “The scales of justice must be brought together, so that whatever is powerful may be just, and whatever is just may be powerful.” Not a bad way to begin to build a design brief for financial reform.

CHALLENGE 6: DESIGNING OPINION OUT

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http://www.mcclatchydc.com/goldman/
The way companies are doing business is changing. Corporations are looking at new ways to maintain their profit margin, stay relevant, and be sustainable as the global economy transforms itself in the 21st century. The corporate community is moving beyond traditional corporate social responsibility and the arc of sustainability has evolved as raised expectations are pioneering new paths for organizations.

In the past, businesses focused on limiting damage to the environment and collaborated with non-governmental organizations (NGOs), receiving a ‘license to operate’ for non-polluting business activity. Over time the NGO community has pushed the private sector further, asking companies to look internally at their own operations. These efforts have resulted in the development of internal sustainability programs promoting the adoption of energy-efficiency projects, waste management, and recycling efforts, as well as employee engagement programs aimed to educate them on how to reduce their personal environmental impacts—both at work and at home.
Strategy in Action

**Walk**
the talk at every possible level

**Transparency**
of information calls for real problem-solving analysis

**Apply**
a comprehensive sustainable strategy to enhance your entire value chain

**Be competitive**
by moving beyond traditional financial analysis

**Think**
ahead of the curve: start shaping yourself as a real 21st century leader

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BLOOMBERG CONSIDERS itself a progressive company—always looking to be at the forefront of emerging trends, so in 2006 when many of our largest customers were asking us what we were doing to reduce our environmental impact, Curtis Ravenel, now the Global Head of Sustainability, proposed the creation of an internal corporate sustainability program. Two years later, Bloomberg’s program launched with a target to reduce our carbon footprint 50 percent by 2013. Since then, sustainable business practices have become an integral part of our culture and our business. We have a full-time group managing the day-to-day environmental risks and cost-saving opportunities. Together, with a global network of employees to help in our efforts, we are on track to achieve our goal nearly two years ahead of schedule and have saved over $55 million, avoided 77 million kWh of electricity use, and diverted nearly 60 percent of our annual waste from landfills.

As the world shifts to a low carbon economy, it requires focus beyond traditional financial analysis to also include social impact and environmental management—not just to address these risks, but to also understand how to use these issues as a source of innovation and opportunity—all of which, for many mainstream investors, is a new concept. A low carbon economy is one where companies, municipalities, and countries minimize their output of greenhouse gases, specifically carbon dioxide, but in addition to minimizing carbon, companies will be forced to consider dwindling natural resources including water, timber, and precious metals. These shifting dynamics will affect a company’s financial viability, operating structure and product development cycles.

The capability to thrive in the transition towards a low carbon economy as well as addressing how capital markets evaluate and reward those actions are the challenges we face today. A comprehensive sustainable strategy, when done holistically, enhances the entire value chain. Additionally, responsible improvements in operating structure reduce costs, improve employee retention, reduce waste and increase efficiency. Organizations need to evaluate how to leverage their core expertise in order to create opportunity while propelling change.

In response to this need, Bloomberg has begun integrating company environmental, social, and governance data into our equity product, collecting sustainability information and metrics so that our customers can analyze the impact their investments may have on carbon and energy. Bloomberg puts environmental concerns into context so that investors can quickly see how sustainable business strategies might affect the bottom line for businesses all around the world. Our comprehensive coverage of the energy markets includes news, pricing, history, statistics, research, and analytics on oil, petrochemical, gas, electricity, coal, emissions, and alternative energy. Additionally, in late 2009 we completed the acquisition of Bloomberg New Energy Finance, the leading provider of independent analysis, data and news in the clean energy and carbon markets. We envision our company as a leader in emerging environmental markets and through our experience hope to help organizations gain acceptance among investors by providing actionable information such as news, data, and analytical tools.

As the world’s most trusted source of data, news and technology for businesses and financial professionals, Bloomberg has the opportunity to capitalize on our

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“As the world shifts to a low carbon economy, it requires focus beyond traditional financial analysis to also include social impact and environmental management.”

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BLOOMBERG SUSTAINABILITY

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Lee Ballin
Bloomberg Sustainability group

Lee Ballin is a team member with Bloomberg’s Sustainability group. The initiative is a Chairman’s Office effort and was started in September 2006. The program aggressively integrates sustainability considerations into all operations and leverages the product to evaluate sustainability market risks and opportunities. Lee is responsible for coordinating sustainability efforts within Bloomberg’s supply chain as well as all of Bloomberg’s internal and external sustainability communications. Prior to his current role, he worked in Bloomberg’s purchasing department as a member of the energy procurement team. Ballin holds a bachelor’s degree in business logistics from Pennsylvania State University Park and a Master’s degree from New York University’s Stern School of Business with a focus on finance and sustainability.

Previous spread: Bloomberg New York Headquarters

This page: Bloomberg London Office
Our interconnected and fast-paced world is in need of strategic systems and tools that can enable open communication across the board. These will help to get rid of the endless barriers that are stopping real innovation; and help to make decisions more responsible, competitive, and cost-effective.

Core competencies by developing products and services that focus on sustainability. Our company was founded on the basis of providing customers with unprecedented access to information and an increased ability to act on it. This approach has transformed the securities industry globally—leveling the playing field between buyers and sellers as well as reducing costs, increasing participation, democratizing access through transparency and greatly improving liquidity along the way—making markets more efficient. Collecting sustainability information and metrics is consistent with our promise to constantly innovate and provide to our customers a unique insight into current and future product offerings.

Bloomberg is capable of guiding the market towards making sustainable decisions that are based on objective facts as well as quantifiable goals by providing both the corporations and investors a growth tracking method. By tracking sustainable data and measuring it, Bloomberg leverages its role in the marketplace. It is this unique capability and knowledge that will help guide businesses towards sustainable success in the 21st Century.

Bloomberg’s commitment to sustainability is comprehensive, as outlined in our report located at www.bloomberg.com/bsustainable. We are combining corporate citizenship, risk management and strategic opportunity to reduce operating costs, grow revenue and create greater awareness amongst our employees, customers and vendors in setting standards, promoting clean technologies and reducing the use of natural resources.

“Bloomberg puts environmental concerns into context so that investors can quickly see how sustainable business strategies might affect the bottom line for businesses all around the world.”

Further Reading

To learn more about Bloomberg and the business case behind our sustainability efforts please check out our recently released sustainability report at www.bloomberg.com/bsustainable.
Executive Summary

Armed with decades of experience in asset management and venture capital, Woody Tasch outlines the failures of our current modern industrial economy and presents a palatable argument for a new restorative economy founded on the principles of Slow Money. He prompts us to consider every investment we make as a statement of intention, a statement of purpose, a speculation about the future of man and his role in the scheme of things, not merely a financial speculation.

In our world of special interests, policy debates, subsidies, and regulatory nightmares, the emergence of for-profit social entrepreneurs, who seek to build independent companies that integrate private enterprise and public benefit, need support. Woody Tasch lays the groundwork for a radical redesign of investing in the 21st century.

Slow Money:
Radical Redesign of Investing for the 21st Century

BY WOODY TASCH

The idea behind Slow Money is wildly fundamental: we need to take some of our money, a tiny fraction of it to begin with, of course, out of the accelerating, increasingly volatile, abstract, and complex global financial marketplace, where we can never fully know what it is doing or who it is doing it to, and put it to work in things that we understand, closer to home, starting with small enterprises.
IF I LOOK back through the lens of history, this small story of Slow Money may in fact follow a natural pattern of inventions. Every 200 years or so, it seems, we arrive at a threshold moment in the history of capital and culture. In 1600, two men in Amsterdam stood on a bridge over a canal, designing the joint stock company, minimizing risk to capital, and galvanizing the flow of investment in exploration, conquest, and export. The outline of the New World was as yet undefined and the notion of limits to growth unimaginable.

In 1800, two men in New Amsterdam stood under a tree on the cow path that would become Wall Street, designing a stock exchange that would create hitherto unknown degrees of financial liquidity and, so, galvanize the flow of capital in support of exploration, extraction, and manufacture. Corporations were small, continents were large, industrialization was incipient, the Prudent Man and the Invisible Hand about to enjoy their considerable time in the sun, and the notion that the resilience of natural systems had limits was about to suggest itself—only briefly, and only to be swiftly discredited and debunked.

In 2000, we are entering a period of urgent postindustrial, post-Malthusian reassessment and remonitoring. We find ourselves on a new threshold, signals of systemic unsustainability proliferating alongside those of ever-accelerating capital markets and technological innovation. Consumerism and global markets are ascendant, carbon sinks are overloaded, and the idea of limits to growth calls for radical reconsideration.

Somehow, in this transgression, we designed a system where stocks and bonds matter more than the product or the work itself, with little reference to how greatly it could serve the public benefit. Ironically, the corporation as an entity, though floated and financed by scientific algorithms, has attained equal rights to people in the eyes of the law.

By prioritizing markets over households, community, place, and land, the modern economy does violence to the relationships that underpin health and that give life—sustaining meaning—family relationships, community relationships, relationships between consumers and producers and between investors and the enterprises in which they invest, relationships to the land and soil. Such relationships are attenuated, or, in the extreme, deracinated, by the modern, global economy.

The extent to which the modern economy depends on broken relationships was revealed by a story told a few years ago during a small retreat of business leaders. Going around the table to introduce one another, a young entrepreneur of Middle Eastern descent told a tale of broken relationships:

“My most recent software company had its offices in the World Trade Center. On 9/11, we were pretty much wiped out, most of our records gone. When we started trying to put some of the pieces back together, I made the rounds to my directors. These were many of the leading investment bankers on Wall Street, individuals with whom and for whom I had made many, many millions of dollars in my previous ventures.

One of them said to me, “Why don’t you have Osama fund your re-start?”
At that moment, I realized that I had no relationships with these people. I realized that there had been nothing but commercial ties between us. The money connections were not real relationships.

As he spoke, it became clear that while many of us had been aware for some time of the manner in which the modern economy depends on and produces broken ecological relationships, we had not been fully cognizant of the corollary damage done to social relationships. Although we understood the concept of ecological footprint, we did not fully understand the footprint of broken social relationships.

Attempts over the past few decades to restore civility in our modern industrial economic system have brought new ideas and practices to the foreground, such as the field of Socially Responsible Investing (SRI). However, as it has been practiced and understood, socially responsible investing (SRI) can do little to address root issues of consumerism and intermediation. SRI is confined largely to damage control: an exercise in improving corporate governance and minimizing damaging “externalities,” while not affecting core elements of a company’s activities, culture, and mission. At its worst, SRI seems an exercise in fuelling a bulldozer with biodiesel: We are greening our fuel, but are we preventing subdivision of the farm?

Fundamental systematic change via broadly diversified portfolios of mature public companies is difficult to attain. Financial returns and performance benchmarks are defined by extractive or destructive economic activities, which forces SRI brokers and advisors to compete with the very same issues that SRI is supposed to confront. SRI practices to the foreground, such as the field of Socially Responsible Investing (SRI) cannot by ignored.

Critics of SRI point out that its pursuit of competitive returns leads inevitably to watered-down screens resulting in the fact that some 90 percent of the Fortune 500 companies make it into an SRI portfolio. For instance, a fast-food company or an oil company or a mining company may be deemed “best of class” for some of their corporate governance practices, but this does not address the basic problem that Paul Hawken identifies: “If you are going the wrong way, it doesn’t matter how you get there.”

The core issue that the SRI industry is not facing is the macro problem of economic growth, which manifests itself at the micro level of individual portfolios and individual investments as the problem of competitive returns. Professional managers are measured on their financial performance, and it is important to note that those who incorporate social and environmental criteria. The result: elaborate strategic machinations and metrics designed to demonstrate that you can “do well while doing good,” which in other parlance might be called “having your cake and eating it too.”

Hawken wrote in a controversial 2004 critique, “that SRI funds should do as well or better than other mutual funds, and then investing rose from $839 billion to $2.29 trillion. During that same period, the number of socially screened mutual funds rose from 55, with assets of $12 billion, to 201, with assets of $179 billion. Despite the dramatic increase in the number of socially screened mutual funds, however, the overall increase in the SRI assets is far less impressive when viewed against the increases that occurred in total investment assets under the professional management in the United States from 1995 to 2005— from $7 trillion to $24.4 trillion. Even if one considers SRI’s percentage of total assets, roughly 10 percent, to be impressive, and even if one takes at face value a recent study by Mercer Consulting indicating that three-quarters of all money managers think that social investing will pervade the financial sector within a decade, the imperfections inherent in SRI cannot be ignored.

Woody Tasch
Chairman and president of Slow Money

He is chairman and president of Slow Money, a 501c3 nonprofit organization, founded in 2008 to catalyze the flow of investment capital to small food enterprises and to promote new principles of fiduciary responsibility to support sustainable agriculture and the emergence of a restorative economy. Tasch has a long history as a pioneer of asset management and philanthropic purpose. He is Chairman Emeritus and former CEO of Investors’ Circle, a network of angel investors, family offices, social purpose funds and foundations that since 1992 has invested $146 million in 225 early stage sustainability-promoting ventures and venture funds. During much of the 1990s, he served as treasurer of the Jessie Smith Noyes Foundation, where, as part of an innovative mission-related venture capital program, a substantial investment was made in Stonyfield Farm, now the world’s largest maker of organic yogurt. He is the author of the recently published Inquiries into the Nature of Slow Money: Investing as If Food, Farms, and Fertility Matter.
they have to demonstrate it, which leads to portfolio creep - the dumbing down of criteria and the blurring of distinctions between what is or is not a socially responsible company.

> Slow Money

A movement where investors redesign capital markets by steering new sources of capital to small, local, and sustainable enterprises that value sense of place, social well-being, environmental sustainability, economic diversity, and soil fertility.

> Industrial Finance

The current system of finance that values monetary gain as the sole fiduciary responsibility of business, sending the flow of capital to businesses successful strictly in the pursuit of making money.

> Restorative Economy

An economy built on the promise of business to increase the general well-being of mankind and the environment through service, creative invention, prosperity, meaningful work, and true security.

The answers to some of these questions paint stark pictures when we begin to trace the flow of capital. For instance, the U.S. Census data shows that 60 to 80 percent of net new jobs are created by small businesses. Yet the provision of capital is skewed to high-tech start-ups, on one end of the continuum, and microenterprise in developing countries, on the other. Less than 1,000 venture capital firms steer roughly $80 billion into 3,000 or so companies per year in the United States; more than 200,000 U.S. angel investors steer roughly the same amount into another 50,000 high-tech companies. At the other end of the continuum, financially and geographically, is the micro-finance industry, which provides loans of between $400 and $8,000 or so to micro-entrepreneurs among the world's poor in developing countries. Micro-finance intermediaries are growing at what Forbes calls a “fever” pace, with 40 new funds started since 2005 and some $17 billion in loans outstanding worldwide.

The diversity of the small business sector must be encouraged... [We must] liberate the imagination, courage, and commitment that resides within small companies. Perhaps the economic activity that comes closest to the opinions that Paul Hawken is invoking is Community Supported Agriculture (CSA). Compared to the rest of the industrial food system, CSAs are simple, small, diversified, direct, and local, balancing financial, social, and natural capital in ways that are beyond, or below, the capacity of most commercial enterprises.

However, in the country that has gotten used to being called “the world’s breadbasket,” the category “small food enterprise (SFE)” does not exist. Capital markets seem ready to leave SFEs unrecognized and languishing, neither fish nor fowl in the territory between investing in their local communities. The diversity of the small business sector is or is not a socially responsible company.

The answers to some of these questions point to making money down - not all of it, of course, but enough to matter.

> Terms

Slow Money: a radi cal re design of inv esting for the 21st century

Inquiries into the Nature of Slow Money: Investing as if Food, Farms, and Fertility Mattered

SLOW MONEY: A RADICAL REDESIGN OF INVESTING FOR THE 21ST CENTURY

“Slow Money” is a movement that seeks to redesign capital markets by steering new sources of capital to small, local, and sustainable enterprises that value sense of place, social well-being, environmental sustainability, economic diversity, and soil fertility.

Investors are asked to consider the social and environmental impact of their investments, and to look beyond the traditional metrics of financial return.

Terms:

Slow Money

Industrial Finance

Restorative Economy

Related Resources:

Slow Money Conference

Inquiries into the Nature of Slow Money

Woody Tasch

Investor’s Circle

Fourth Sector Network

Benefit Corporation

Catalyzing the Economy

46 CATALYSTid.com
Designing the Future Economy

BY MARVIN BROWN

Since the economic crisis of 2007, we have been trying to deal with loans, debts, and credit as though economics was all about controlling money. Perhaps our lack of success in moving toward recovery is that we have been asking the wrong questions. Why do we have lots of work that needs to be done, but high unemployment? Why do the few continue to profit at the expense of the many? How do we include those without property in an economy based on ownership? Instead of designing financial instruments, what would happen if we returned to the original meaning of economics as household management and designed an economics that provided for everyone: an economics of provision?
It may be unusual to think of an economy as a design project. Modern economies are shaped by many factors beyond the direct control of governments or individuals. But economies also do not simply come into being. They are in part designed into being and these designs are, like all designs, influenced by the spirit of the time. Many key features of the current economy were designed at a different time for a different time.

A new design would need to take into account the needs of the present and the role of the economy in shaping a future for an increasingly interdependent world. If we were to design an economy for the future where would we start? We would have to start at the right place or we would never get to where we want to go. Also, we would need to know where we want to go in order to know where we should begin. We would need to be strategic and design to get to where we want to be.

Not everyone agrees that our current economy should be re-designed. Some believe that the economy will self-correct—that an “invisible hand” guides the market and all its movements. This belief in a guiding mechanism that cannot be seen and that will somehow, in the most enlightened way, guide us to prosperity, is exactly that, a belief. It is not a fact. It is not even a scientific theory. But, like many beliefs, it is deeply held and hotly defended.

Good design begins with a process of discovery. Let us look at where this deeply held belief comes from. Although there are several sources, probably none is more influential than the writings of Adam Smith. In The Wealth of Nations (1776), Smith began his economic design with a four-stage conjectural story of human evolution. The first human nation was a nation of hunters, which then evolved into a nation of shepherds and farmers, and later a nation of traders, or what he called a commercial nation. This fourth stage was civilized society for Smith, where governments protected people’s property, and where the “invisible hand” transformed individual self-interest into a benefit for all. I think he thought that if we could design an economy where individuals could follow their self-interest, it would actually bring about a wealthy nation.

The real economy of Smith’s time, in contrast to his economic theory, was based on a social system of privilege and power that included slavery. Smith does not make this explicit, but it is quite real. His design for a commercial nation, a nation of property owners, that could bring about a wealthy nation was financially dependent on the slavery of over 11 million Africans—Africans who were kidnapped, chained, transported in barbarous fashion to the Americas, and forced to work in the sugar and tobacco plantations in the colonies that produced the wealth that Smith and others with power and privilege enjoyed. His “civilized society,” depended on the slavery of “savages,” as he called them. Their suffering, of course, could not be a part of his design. Smith designed an economy for property owners, omitting that the property that many owned were human beings. This world was guided not by an “invisible hand” but by an overseer paid to protect the privilege of the few even if it enslaved the many.

We continue to use this Smithian economic design. And, it continues to protect power and privilege. Like Smith, popular economic narratives do not refer to those who live in slave-like conditions whose labor provides us with our expected standard of living at a rock bottom cost. These narratives rarely show the exhaustion of this low-cost labor or the exhaustion of the biosphere on which they and we depend. The invisible hand seems to serve the function of provisioning life.
know how to use an eraser. But, to design anew, we need to discover the conditions of the real and to see how people actually live. Smith’s design for wealth creation is flawed because it does not do that. It suffers from what I would call the pathology of dissociation. It has split off market dynamics and consciousness from the suffering of the real providers of wealth.

This Smithian economics rests on two significant fallacies. First, it rests on the idea that the market is separate from society rather than embedded in it. Second, it treats the economy as though it were a physical system subject to the laws of nature, instead of a social system subject to the ambiguities of human interaction. In fact, the market is a social, not a physical system. It is influenced by and influences social divisions of class, gender, race, religion, sexual orientation, and nationality. Furthermore, all markets exist within social structures of privilege and power. It is important to locate design in the facts and in the realities of people’s real lives.

Most current economic thinking follows Smith’s lead in leaving out the actual providers of wealth—our so-called social and natural capital. These are not included in optimistic notions or mathematical formulas. We need a new economic design; one based on the real rather than denial and dissociation.

If we start to design an economy embedded in social and natural systems, we can then ask how we should understand the economy’s function in these systems. I want to propose that the function of an economy is to provide us with the material provisions we need to live a good life. If we accept that as a minimum, we will need to use markets to organize systems of provision that are both just and sustainable. I offer a design process for moving toward this by suggesting a discovery process that engages citizens, not financiers, in civic conversations about how they want to live together. This process of discovery will enable us to examine the reality of everyday life and the interrelations among people and with our world.

Such a process of discovery can help us define how best to shift from a property-based economic design to design based on social relations—a civic-based design. The process of discovery will make it easier to see and to understand the difference between ecological and economic systems and to realize that natural systems need protection. We can then begin to design how human providers transform natural provisions to provide for ourselves, our families, and our communities.

A system is composed of parts that interact in such a way that the system itself functions as a whole. In our case, the whole is a social system and the parts are individuals, groups, and institutions. Being part of this system is not based on ownership, as Smith proposed, but on membership. We are all part of the systems that provide us food, clothing, housing, security, and other basic goods. And we are all part of the delivery of provisions. Our current systems of provision do not fully recognize this. But we are already beginning to redesign our markets, the way our provisions flow and how we allocate our capital.

We are beginning to design an economics of everyday life. People in cities are designing and funding urban gardens and supporting community-based agriculture. We are setting up alternative systems to trade produce, share cars, and build community-based housing. In places as diverse as San Francisco and Cairo, we are already seeing emerging designs for more inclusive systems of provision that do not shut out the many while securing the interests of the few.
But we cannot forget that most provisions—from water to a healthy atmosphere—become available to us through regional and global systems. If we remain only on the local level, the most we can accomplish is a new form of feudalism, where the peasants take care of each other, subject to the dictates of the lords and ladies who receive most of the global wealth. Global wealth creation is still largely the work of larger economic systems—"the market"—controlled by financial institutions, investors, and speculators.

Still, these institutions have only limited control. While they do control the money flow which impacts the flow of provisions critical for human well-being, they do not necessarily control the legal system or law enforcement. Governments do. To the degree that financial institutions rule the world, we have allowed this to happen. We do have a choice here. We can continue to allow the commercial to dominate the civic or we can create a civic platform that serves as a foundation for the commercial. If we do not question the role of money in our economy, the best that we will design will be some form of feudalism that serves the privileged and powerful. If we see money as a means for providing for one another, which makes sense from a civic perspective, then we can move toward an economy that serves everyone. To do this, we will all need to work together to civilize money.

Money is more than a commodity that we buy and sell. It is a means for enhancing our life together—of providing for one another. Money needs to flow to systems critical to human well-being such as education and health care. It needs to flow to where the social and physical infrastructure of our shared lives needs repair. Consumers need money in order to acquire what they have reason to value and that cannot be acquired through barter or sharing. Businesses need money to collect resources that will allow them to produce the products and services that are necessary for their successful participation in particular systems of provision. Governments need money as a way for citizens to pay taxes and therefore have the means to provide public goods, such as a healthy environment, that cannot be achieved by other institutions. Bankers ideally steward money to help assure its use as a provider for human well-being.

In our current design, however, our financial institutions “own” money. They can curtail flow and direct its use. We will need to design in stewardship rather than ownership of money if we are to best serve the function of provisioning life. Experiments in civilizing money are beginning. We are beginning to channel flows of money into institutions that will help develop community capital and we are experimenting with trading community dollars. We are beginning to encourage local communities to turn ideas into project proposals and to fund these through budget initiatives that will distribute money to parks and bike lanes and other public goods and services. These initiatives are being driven by ordinary people who are moving across the boundaries of their particular areas of expertise to design a world that is less volatile and more viable.

“Like Adam Smith, popular economic narratives do not refer to those who live in slave-like conditions whose labor provides us with our expected standard of living at a rock bottom cost.”

FURTHER REFERENCES
http://www.civilizingtheeconomy.com/
Civilizing the Economy by Marvin Brown, Cambridge University Press (2005)
Corporate Integrity by Marvin Brown, Cambridge University Press (2005)
“PURPOSE” IS NOW THE FIFTH “P” OF MARKETING. IT IS A VITAL ADDITION TO THE AGE-OLD MARKETING MIX OF PRODUCT, PRICE, PLACEMENT AND PROMOTION.

MOTIVATOR FOR PURCHASING GOODS.
Globally, social purpose remains a key motivator for purchasing goods.

- Social Purpose: 42%
- Design and Innovation: 31%
- Brand Loyalty: 27%

86% of global consumers believe that business organizations need to place an equal weight on their financial goals as well as on society’s interest.

GOVERNMENTS AND CORPORATIONS MUST PLAY A ROLE

- 72% expect corporations to take actions to preserve and sustain the environment
- 73% agree government and business need to work together more closely to ensure the environment is protected
- 64% would support legislation that requires corporations to meet certain environmental standards even if it would negatively impact a corporation’s profits
- 62% would support legislation that requires government to fund partnerships between public and private organizations to help protect the environment

CONSUMER ACTIONISM

- 71% believe brands and consumers could do more to support good causes by working together
- 63% want brands to make it easier for them to make a positive difference
- 64% believe it is no longer enough for corporations to give money; they must integrate good causes into their everyday business
- 61% have a better opinion of corporations that integrate good causes into business, regardless of why they do so

MORE THAN 7 IN 10 consumers in the emerging markets would take action to support social purpose brands.

- 78% INDIA
- 77% CHINA
- 80% BRAZIL

62% GLOBAL

consumer switch to brands of similar quality supporting a good cause

consumer recommends a brand that supports a good cause that one that doesn’t

61% GLOBAL

consumer promotes products and services that has a good cause behind them

GREEN AS ECONOMIC LEVER

- 71% of global consumers believe projects that protect and sustain the environment can help grow the economy

CONSUMER WILLINGNESS TO PUNISH BRANDS THAT “ARE WRONG”

- 37% refuse to buy its products or services
- 37% criticize it to others
- 38% share negative opinions and experiences
- 46% wouldn’t invest in it

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Do Good Design: How Designers Can Change the World
By David B. Berman
Reviewed by Tyra Dumars

David B. Berman drives home how strategic designers unknowingly possess the power to change the world through innovative design. Berman proposes strategic designers hold themselves to higher professional standards in design, and provides readers with the necessary tools.

The Living Principles for Design is a sustainability framework originally conceived by AIGA | the professional association for design.

Catalyzing Change at:
CatalystsDr.com//tags/tool-reviews/

But Will the Planet Notice? How Smart Economics Can Save the World
By Gernot Wagner

How can you and I individually make a difference in reducing our environmental impact and contributing to a more sustainable future? Well, the reality is we cannot. For each one of us voluntarily foregoing the use of plastic bags, air conditioning, and even driving hybrid cars, there are billions of others who offset those benefits. Sure, reusing my bag gets me some cents off my grocery bill now and again and feels really good. Not having to fill up at the gas pump saves me some money too. But short of hoping to create a social movement, being a good Samaritan alone would not do it. Despairing I know, so what can we do then?

Gernot Wagner, an Environmental Defense Fund economist, is a 21st Century strategic leader. He shows that the solution to climate instability can only be driven by guiding society as a whole through market forces in the U.S. and around the world—by designing triple bottom line into core strategic thinking. We have seen the effect money has on the world—most recently with the collapse of the housing and banking industry. It is the pursuit of wealth and status that make money the most obvious guide for motivating human behavior. With the appropriate regulatory guidance, the author argues that by putting the right incentives in place, the markets can shift triple bottom line practices into the policies and processes of organizations. Of course, mentioning the words regulation and incentive leads many of us to think of government intervention and that nasty three-letter word—tax. However, Wagner has many alternative solutions to tax increases. For example, in handling the major issue of pollution, he advocates applying the economics concept of cap and trade: an approach that would limit pollution directly by implementing a cap—or as he likes to call it “doing well by doing good.” By capping total emissions and handing out allowances, regulators can then let companies trade those allowances in order to achieve the cheapest, most effective way of decreasing overall pollution. Companies who are polluting will need more shares and they will have to pay the full cost of their actions. The author explains that it is about liberating markets and consequently turning each and every one of us into a force for good.

What is the number one US export? Corn? Aircraft? Garbage? These suppositions are definitely high on the list, but according to the founders of The Living Principles it is culture. Culture cannot be quantified in terms of dollars, yen, pounds or kilos. You will not find it on any top ten lists. However, standing on a street corner of any major city in the world, one would be hard-pressed to deny it. The shared attitudes of the majority of Americans encourage the rest of the world to produce unsustainable levels of consumption and waste. It is evident in the cars, cuisine, gadgets, architecture, fashion, and music that other countries aspire to possess. Their familiarity with McDonald’s, clamshell packaging, and the logical offspring—individual wrapped slices of cheese, make it apparent that the US is very influential. Think computers and big screen TVs that are replaced every two years because they are no longer aesthetically pleasing. Envision king-sized everything! The Living Principles for Design is a sustainability framework originally conceived by AIGA | the professional association for design. It was further developed and co-authored by Gabi Brink, Nathalie Destandan, Phil Hamlett and, as they are careful to point out, “with generous input and inspiration from an inter-disciplinary group of designers, authors, educators, strategists and business leaders.” The organization is made up of Partners/Endorsers, Ambassadors and an online Community. At its core are four streams of sustainability—environment, people, economy, and culture. The Partners are organizations that have adopted the principles and promote an understanding of the framework. The Living Principles website is a tremendous resource which includes a calendar of events, a sustainability glossary (Words To Know), an online community and forum, and a video library of talks by designers, scholars, and business leaders. The framework is much like that of Triple Bottom Line, ratified in 2007 by the United Nations and ICLEI Local Governments for Sustainability. But the addition of the fourth stream takes into account that unquantifiable and perhaps, most toxic US export—culture. To learn more about The Living Principles and make an important addition to your bookmarks, go to www.livingprinciples.org.
Present.
Engage.
Market.
Measure.

Mygazines Enterprise is the only solution that combines a market-leading, digital e-reader with your very own, branded brochure/catalog portal. The simple Mygazines platform converts PDF documents into interactive media. Build a community of customers and prospects that create compilations of products, share with friends and socially bookmark links, driving traffic directly to your site. Update content based on real-time customer behavior feedback. Join our digital newsstand before the competition soars past.

**Ben Knight**

Ben Knight primarily works as a multilingual typographic coordinator for the United Nations in NYC. His position entails managing design work for print, web and tablet devices, while advocating sustainable design practices. Ben develops the most sustainable solutions, analyzes small and large publications and is developing sustainable publishing standards for the United Nations. Ben often finds himself thinking about and sharing the Pratt definition of Design Management during his work week.

A native of Long Island, New York, as a teenager Ben worked as a Production Designer for the full-length feature film, Threat. After undergraduate school Ben began his design career as a trade magazine designer as well as an interactive designer, at the same time he was living a double life as a Fine Artist and showing in many group shows as well as a solo show in Brooklyn.

Ben graduated from Pratt Institute’s Design Management program in 2008, and prior to graduating he began utilizing tools he developed in the Design Management curriculum both in his work at the UN, as well as in the artwork he creates. Ben believes his degree in Design Management from Pratt was one of the best choices he made in accelerating his organizational career. He feels that one of the strongest attributes of the program is the diversity both in terms of cultural origins and various design disciplines. Ben firmly believes that strategic creative thinking is the only way toward a sustainable world.

In addition to his M.P.S. in Design Management from Pratt Institute, Ben holds a B.F.A. in Graphic Design and Fine Art from Long Island University.

Ben posts a weekly blog post at his site; it usually covers his sustainable/creative activities: www.benknight.net Ben lives in Brooklyn with wife and newborn son, Javier.

**Denise Montt Blanchard**

Denise Montt Blanchard is director of the Design and Engineering Research center in Pontificia Universidad Católica of Chile CIDI UC, an organization that is constituted as a multidisciplinary platform that promotes innovation in product development, services and academic research. She is also partner at MH Design Networking, a company dedicated to the management and development of projects that embrace design value as a tool to articulate collaboration networks in education and culture. In addition, she is director and founder of Remade in Chile (www.remadeinchile.cl), an initiative born in Italy that promotes recycling through design through workshops, exhibitions, lectures, alliances with companies, and social entrepreneurship, among other activities. Denise is part of the design curatorial committee of the Cultural Center Palacio La Moneda (a government museum) in Santiago, Chile and participates in the committee of experts of Chile Verde (www.porunchivelverde.cl), an initiative which yearly selects the best cases on sustainability in Chile. Aligned to this, Denise has also developed projects of cultural impact such as the book “Chile: Social Map”, which presents social and economic data with infographic pieces created by renowned graphic designers.

Denise has been adjunct professor in Design at Universidad Adolfo Ibáñez, Universidad Andrés Bello, and DuocUC. Currently Denise dictates the Innovation and Design Management class at the Design School of Pontificia Universidad Católica and the Design School of Universidad Diego Portales. She has a bachelor degree in Sciences, from the Pontificia Universidad Católica de Chile, a Bachelors degree in Design, from the Pontificia Universidad Católica de Chile, and a Masters Degree in Professional Studies in Design Management.

**Ben Knight**

By Haris Silic

**Denise Montt Blanchard**

By Laura Caballero