

**A WINDOW INTO TRANSPARENCY:
THE DESIRE FOR CONNECTION THROUGH FINANCE**
JOHN BLOOM

The question of how to begin farming without existing financial resources is one that plagues potential farmers, who may find themselves with useful knowledge, skills, and motivation, but yet with little access to land or capital. Fortunately, this issue appears to be making its way into the mainstream consciousness. In this article, John Bloom discusses how we might rebuild financial relationships and trust—an especially pressing topic in light of current economic developments. Read on to the following article by Robert Karp to further pursue this theme.

Originally published at www.reimaginemoney.blogspot.com.

I have a friend who began his career in the Netherlands at a small family bank, which had relationships with clients that went back some two hundred plus years. He saw the bank's balance sheet from one of its earliest years in the eighteenth century and found a name of a trading firm that was still a client. This is really a long-term relationship—an unlikely scenario in today's banking and finance world. His assessment of the continuity and success of the financial relationship was the trust and accountability that comes from living in the same community, seeing each other at the market, and the awareness that failing to pay the loan could have consequences for neighbors and the local economy.

This story came to mind because recently I read an article in the *New York Times* (July 19, 2008, B1, B6) under the "Your Money" header titled, "When the Banker Knows Your Mother," by Ron Lieber. The article is an inquiry into the value of community banking in the face of recent banking disasters (such as the failure of IndyMac in Pasadena) and the disconnected and impersonal aspects of purely online banking. The article indicated that the challenge for local banks is to match the interest rates of their more space-based than place-based competitors. But risk is also an issue. When asked about the risk of his community bank, the president, Mr. R. Michael S. Menzies, replied, "The first loss we take here is my personal loss. It's my personal equity in the bank, my personal reputation in a community I've lived in most of my life. I'm not just dealing with other people's money, so it's a whole different level of responsibility." In the opaque, distant, and mostly digital world of current finance, this kind of thinking and willingness to take personal and community responsibility strike a harmonious chord in my heart and also bespeak social and community values that offset "advantageous" interest.

Risk and money, especially when it is my money, open up a host of questions around tolerance, desire, greed, and, hopefully, higher social purposes. In this vulnerable state, transparency of intention and action operate as a tonic, as does access to knowing the people with whom I have entrusted my money and their ethics. Transparency is a window into the other side of financial transactions. Current risk-reward models run the gamut from casino-like with high risk and high reward (hedge funds, derivatives, even casinos themselves) to simple low-inter-

est no-risk insured savings accounts. The story is always based on the assumed validity of the risk-reward model as motivation for material gain. In fact, we have developed a whole rationale around risk and reward that basically rewards, even celebrates, risk and treats reward as a kind of compensation for having given up other uses of the capital.

In the venture capital model, the investor is tying his or her fortunes to the success of the entrepreneur, while the entrepreneur in some (but not all) cases is likely working toward exit strategy or buy out, yet another form of reward. The end goal of all this risk-reward activity is the generation and extraction of capital from the economic process. One positive of the venture capital model is that the investing is actually directly in the project and the work itself. It is based upon the faith that the investor has in the success of the undertaking and the abilities of the entrepreneur. Transparency is inherent in this structure, as it is in many ways a co-creative process between the funders and entrepreneur, at least at the outset. However, this cohesion is ruptured, for example, when the company goes public and the shares are traded for their perceived value—that is, the next round of investors are paying the original investors for the shares. Little to none of that money actually goes directly into the company itself. At this moment the risk-reward model is disengaged from any real value and is then delivered into the pretidigitation of public trading on Wall Street.

In an economic world that turns on self-interest, the calculated risk sits with the owner of the money. As a result of this self-interested imperative, investment and kindred financial activities have gone from enabling new capacities on the part of entrepreneurs (direct investment) to extracting capital from the capital system itself (indirect investment). Extraction is the means, accumulation the end. The concentration of wealth effects another significant result—restriction of the flow of useful money. Money that could bring about cultural renewal and innovation is instead tied up in real estate and other material goods.

One could read this as a judgment of wealth. It is not. Wealth is critically important to everyone, though it may feel different, or in fact be different, depending upon perception and cultural norms. It is, however, an argument in favor of circulation rather than accumulation, in favor of direct transactions rather than indirect, transparency over the impenetrability and weight of Wall Street, so beautifully portrayed in 1915 by photographer and film-maker Paul Strand.

Easton Bank and Trust, featured in the *New York Times* article, is but one example of a more human-scale localized financial organization, a model of money serving community through real relationships. In many ways, credit unions and cooperative banks share this quality of community and accessibility. However, there is another economic form that addresses the question of risk in a deeply social and innovative way. It is neither banking nor investment, but rather it is a community-centered financing structure, as direct, personal, and transparent as imaginable. By its very nature, it is designed to support, indeed assure, a vocation along with production and distribution of goods, free of the adverse competitive pressures of the marketplace. There is no betting, and the risk-reward model is

turned inside out and upside down. The model, as practiced in the United States, is called community supported agriculture (CSA). About twenty-five years ago the first such economic association was started on the East Coast of the United States, having been previously implemented in Northern Europe. Today there are well over 2,000 such groups in operation, though not all are equally true to the original associative intention.

The concept of community supported agriculture is transferable to other contexts, and in fact has been applied to medical practices already. But, for clarity, I will describe it as applied in community farming. First and foremost, the farmer identifies, develops, or adopts a community that is interested in connecting with the farm, the farmer's values and practices, and the joy of being a partner in the economic life of the farm. Then the farmer determines how much food he or she can grow and, thus, how many families can be fed based on seasonal output. Based on the number of shares that can be grown, the farmer puts together an annual budget that encompasses all of the farm activity, including purchasing of seeds, equipment, health insurance, facilities and farm maintenance, and other living costs for the whole year (not just the growing season). In the interest of engagement and transparency, the farmers may even invite members of the community to participate in the formation of the budget. This total budget is then divided by the number of shares to arrive at the cost per share. This "price" is thus arrived at in an associative manner in the sense that all the parties to setting the price have brought their needs and perspectives into the process—somewhat akin to fair trade practices.

The benefits of this process are many. The social and community ones are self-evident. However, the economic advantages bear further discussion for what they represent as the opposite of the opaque world of conventional finance and pricing schema. First, the farmer is free to farm as he or she best knows how, without the pressures of the market-based competitive economy or the demand for the return of capital. Second, because there is a direct connection between the farmer and the shareholders, there is no middle distribution or wholesale system to add to the cost or reduce what the farmer might receive. The most interesting part of all, and the part that takes the most education for those new to it, is that the risk of farm or crop failure is shared across the entire community. The shareholders pay for the cost of the year for the farmer to farm and receive food as a by-product, say, seven months out of the year. If there is a drought year, or some other blight, the farmers are still supported by the share income and will thrive to farm another season. The shareholders bear that risk. In a bounteous year, the shareholders receive

more than they expect. What this means is that the shareholders are not consumers in opposition to a producer; rather, they are co-producers. Neither are they paying in any direct way for the food or treating the farmer's labor as a commodity. The beauty is that the farmer's livelihood is not subject to the vagaries of market forces and the rising tide of climate chaos.

In the CSA model, risk and reward are actually separated from each other and reconfigured to support the vocation of the farmer. In conventional investing, reward and risk are linked through input and output of the money system. The borrower or investee uses the money for production and leverages the marketplace to repay the investor. In the community supported system, the point of the entrepreneur (farmer) is not one of economic gain, but rather of sustainability and a mission to heal the earth and cultivate soil fertility. This interest in matters beyond self-interest permeates the associative form and raises the commitment of community members to also rise above self-interest.

CSA is an associative community-centered financing model that needs no corporate or legal structure to operate. It is instead, a self-governing economic community that determines its agreements in light of the farmers' and members' needs. In some senses, "enoughness" and sustainability are built into the model, and the money simply serves this end. It is also a completely transparent, personal, and direct form of economic relationships with a localized base and a capacity for self-renewal. I would hope for and imagine that all economic activity will someday operate within this associative approach, though scale will always be a challenge. Associating in this modality meets the rising need to connect in community through finances in a very simple and immediate way. It is a picture of the future of economic activity that returns money to its role as a means toward local and sustainable community.

That the *New York Times* would publish an article addressing the value of local and personal in the context of "Your Money" is significant. It points not only to a rising need for connection, but also to the legitimacy of deeply human relational values that are the foundation of trust. What has been betrayed by the recent financial and banking disasters is this fundamental need for trust. Thus, any financial form that fosters transparency is to be celebrated for the healing it brings to our economic consciousness.

John Bloom is a member of Live Power Community Farm CSA in Covelo, California, and Director of Organizational Culture and Human Resources at RSF Social Finance.

