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From "Extractive" to "Generative" Ownership

Posted on [July 1, 2012](#)

I recently read a new book by [Marjorie Kelly](#) entitled "[Owning Our Future: The Emerging Ownership Revolution](#)". As it's extended title indicates, the book allows readers to join Kelly on what she describes as *Journeys to a Generative Economy*. **I'd highly recommend it to anyone interested in solutions to the growing imbalances and distortions in our increasingly crisis-prone economy.** You can start with an extended excerpt [here](#).

To a large extent, Kelly's new book builds on her first book, "**The Divine Right of Capital: Dethroning the Corporate Aristocracy**," which was published roughly a decade ago (you can purchase it [here](#) and/or read its introduction [here](#)).

Drawing an apt and powerful parallel to the divine right of kings, Kelly's first book does a masterful job of opening readers' minds to the arbitrary and distorting nature of the ownership model embodied in today's publicly-traded corporations. In *Owning our Future*, she does an equally impressive job helping readers understand **the range of alternative ownership structures emerging across the economy.**

But she doesn't just describe these alternative ownership designs. She also:

- 1) identifies the core underlying components that make them "**a family of generative ownership designs;**"
- 2) explains how "**generative**" ownership addresses problems associated with the **overly-financialized and "extractive" model of capitalism that remains dominant today**, and is increasingly associated with global-scale problems, including the 2008 financial crisis (and its still-unresolved aftermath) and global warming.

In future posts I hope to discuss Kelly's new book in more detail, including **how the principles of generative ownership relate to Internet policy** and some of the other conceptual threads I've been trying to develop on this blog.

But for now, let me share a few excerpts from a May 17 [speech](#) Kelly made at the 2012 annual conference of the Business Alliance for Local Living Economies (BALLE), held in Ann Arbor, MI.

Early in her talk Kelly highlights the fundamental importance of ownership in our economy and our world, and the problems caused by today's dominant form of ownership [bolding is mine]:

*Every economy is built on the foundation of ownership...It's **the power of ownership** that determines whether we're empowered or belittled by our work, how much anxiety we suffer over our debts, whether we're able to own a home or be secure in retirement. Questions about who owns the wealth-producing infrastructure of an economy, whose interests it serves, these are among the largest issues any society can face. Issues of who owns the sky in terms of carbon emission rights, who owns water, these issues are planetary in scope.*

*The crises we face today, ecologically and financially, are tangled at their root with the particular form of ownership that dominates our world – **the publicly traded corporation**, where ownership shares trade in public stock markets. **The revenues of the 1,000 largest of these corporations represents roughly 80% of global GDP.***

Kelly then briefly reviews what her years of research has led her to understand about “generative” alternatives to the dominant “extractive” form of ownership. “The first and most important difference” she says is a “**Living Purpose.**”

*...the many ownership alternatives – from **community land trusts and cooperatives to social enterprises and community ownership of the commons** – these alternatives represent a single, coherent school of design. It's a family of generative ownership designs. Together, they form the foundation of a generative economy.*

*Generative means the carrying on of life, and generative design is about the institutional framework for doing so. **In their basic purpose, and in their living impact, these designs have an aim of generating the conditions where all life can thrive. They are built around a Living Purpose.***

*This is in contrast to the **dominant ownership designs** of today, which we might call extractive. **Their aim is maximum extraction of financial wealth.** They are built around a single-minded Financial Purpose.*

But, according to Kelly, “purpose alone isn't enough.” Also needed, she says, is “**the presence of at least one other structural element that holds that purpose in place.**” These additional elements of generative design are:

*Second is **membership**. Who's part of the enterprise? Who has a right to a say in profits, and who takes the risk of ownership? Corporations today have **Absentee Ownership**. Generative ownership has **Rooted Membership**, with ownership held in human hands.*

*Third is **governance**. Extractive ownership involves **Governance by Markets**, where control is linked to share price. Generative ownership involves **Mission-Controlled Governance**, with control held in mission-oriented hands.*

Fourth is **finance**. Instead of the **Casino Finance** of traditional stock market ownership, generative approaches involve **Stakeholder Finance**, where capital becomes a long-term friend.

Fifth and finally, there are **networks**, because no firm stands alone. If traditional approaches use **Commodity Networks**, where goods trade based solely on price, generative economies use **Ethical Networks**, which offer collective support for social and ecological norms.

Kelly then notes that, while "[n]ot every ownership model has every one of these design elements...**the more elements that are used, the more effective the design.**"

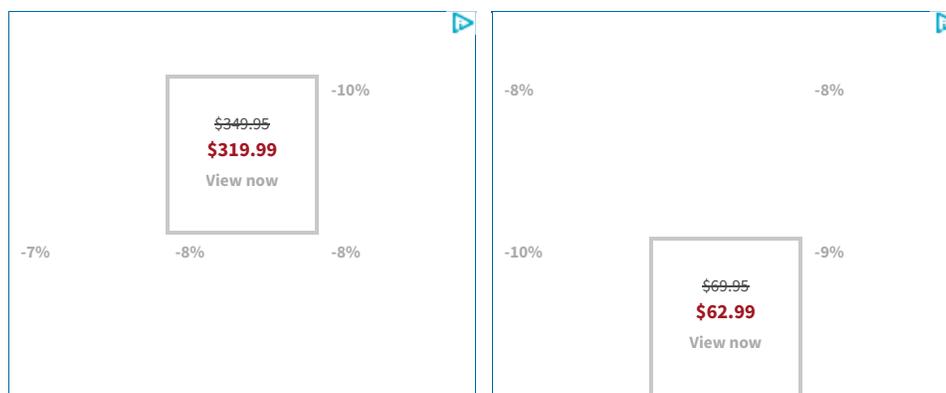
Later on in her talk, Kelly discusses "**living systems**" and "**systems thinking**," other fundamental themes that underpin her book. After describing the structure and operation of **the John Lewis Partnership, a \$13 billion UK company owned by its 76,000 employees** (which she discusses in more detail in the book), Kelly cites the company as a large-scale example of:

*...what it means to design a company as a living system – instead of seeing it simply as a piece of property, which is the view that stock markets take. **Generative companies are both property and living system. They need to be designed for both.***

*As a living system, a generative company functions by the same rules that govern all systems, and those rules have been articulated in a body of thought called **systems thinking**, which applies equally to biological systems and social systems. **A core insight of systems thinking is that behavior comes from structure.** All systems have a structure that shapes what they do...*

As I said, I'd strongly recommend Kelly's new book (and also her first one), and intend to revisit them in later posts, since I believe they're **very relevant to Internet policy and other topics covered on this blog.**

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