Associative Economics Intensive

Changing the world, one entrepreneur at a time

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The purpose of this report is to describe my seven-week experience working intensively and practically with the principles of associative economics (defined below). I write this report for everyone who wants to understand what I spent the past two months doing, and for anyone else interested in getting a glimpse into how associative economics can inform one's understanding of economics and finance, assist in launching a business or simply aid in managing one's personal financial affairs. I hope that my experience can serve as an example of how associative economics can offer practical tools and inspiration for expressing one's vision in financial terms, making it therefore all the more likely to be realized. No prior understanding of associative economics is necessary to do what I did.

'Associative economics' is based on the economic ideas of Austrian thinker, Rudolf Steiner (1861-1925), perhaps more commonly known for his ideas on education (on which Waldorf education is based) and agriculture (on which biodynamics is based). As I understand it, associative economics could be described as a school of economic thought that sees modern economics and finance as a reflection of human activity and interaction, and emphasizes accounting as the central tool with which all economic actors (i.e. all people, basically) can make their aspirations known to the world, and likewise, the means – even currency – with which we interact economically. Within this, associative economics centers on several key tenets: 1) capital must be circulated; 2) true price, which considers the real cost of doing business, including paying fair wages, internalizing losses and socializing gains, taking environmental responsibility, etc., should form the foundation of all business and economic activity; 3) land should not be collateralized; 4) all business activity should be profitable; and 5) modern economics and finance can be simultaneously altruistic (social, "associative") and profit-generating.

In deciding to embark on this so-called 'associative economics intensive,' under the guidance of Christopher Houghton Budd, I really had no idea on what, actually, I was embarking; I had only the intuition that it would be a mistake not to seize the opportunity. Looking back now, I understand that I could never have known what I was getting into before getting into it, because the experience was entirely informed by what I brought to it. There was no taught course or clearly defined training in which I participated. There were accounting principles and competencies that I had to learn and that formed the basis of our daily interactions, but overall, the experience was shaped by, and therefore a reflection of, my own interests, questions and perspective. While I may have been looking for some input external to myself, some concrete guidance on how to proceed in my professional life, what I got were a set of tools to organize and articulate the knowledge and intuition I already possess.

Anyone could undertake a similar associative economics intensive, but I cannot promise that everyone would find it as valuable as I did. Ultimately, the skills I learned – including bookkeeping, financial planning and managing a small business – while both practical and empowering, were incidental to the new sense of orientation and motivation I felt in learning them. Throughout the intensive, it was my own understanding that the knowledge and tools I was developing would increase my ability to effect the change I wish to see in the world that gave the simple lessons their substance. Therefore, what I did could be replicated by anyone, whereas what I mined from the experience was unique to me. In other words, what I did and what I got out of it are somewhat separate. So, first I'll explain the various elements of the associative economics intensive and then I'll describe how my particular interests and motivation informed the experience.

An Associative Economics Intensive

It began with a weeklong morning course, offered as part of an extended training for young entrepreneurs at L'Aubier, an eco-hotel and conference center in Montezillon, Switzerland. Here, Christopher introduced the idea of three accounting precepts that form the foundation of a financial literacy seminar he has designed as part of a collaborative project between several European universities: *Creating Economic Space for Social Innovation (CRESSI).* The three precepts are: *adequate profit, appropriate capitalization* and *positive cash flow management*. Christopher posits that in successfully basing one's business and economic behavior on these three precepts, one can simultaneously achieve financial success and maintain a fundamentally social, as opposed to egotistical, manifestation of one's economic engagements.

In brief, *adequate profit* is understood as revenue generation from the business activity that is sufficient to, yet neither excessively surpasses the capital needs to cover the true costs of operating, to pay back debt and risk capital, and to maintain enough liquidity in the business to enable the entrepreneur to make decisions as needed for the health of the business. *Appropriate capitalization* refers to the type and amount of start-up capital invested in the business. In other words, the balance of debt (loans) and equity (risk capital) must fit the nature and activity of the business; and likewise, the amount should not be insufficient to nor exceed the demonstrated capital need based on the financial plan. Finally, *positive cash flow management* ensures that the business is operating profitably, and is also concerned, somewhat implicitly, with what happens to the net profit when it passes from the profit & loss to the balance sheet as equity.

Following this weeklong course, I then participated in a two-day seminar looking at the problems of limitless financial growth in the modern economy and the idea that capital must 'age' and eventually disappear completely, as well as at the qualitative differences between "true" value created by economic activity and "false" value created through collateralized lending – specifically, the economic effect of collateralizing land.

From L'Aubier, I went to Folkestone, England where I immediately took up running and managing the financial affairs of a small cafe – The Collective. Many of the macro concepts discussed at L'Aubier quickly disappeared into, and indeed informed, the accounting I started to do for the cafe. There were three main components to the financial management of the cafe. First, I maintained a workbook to organize and record all of the cafe's financial activity, which included six sections: 1) Reports 2) Financial Plan and Budgets 3) Cash Transaction Records 4) Non-Cash Transaction Records 5) Sales Record and 6) Purchase Records. Using this workbook, I kept track of daily sales, outstanding and paid bills, invoices outstanding and received, and receipts and paper records of each transaction. The idea behind the workbook, in addition to clear organization, is that at any given point, were the business to be audited, I, as the business owner, would have all the necessary evidence to substantiate every transaction. Indeed, the workbook enables self-auditing on a daily basis.

Second, we set up the company in QuickBooks, into which I imputed all daily activity from the workbook. Once the business' data is in QuickBooks, it is easy to generate reports to give a snapshot of the business at any moment, including running profit & loss reports, creating balance sheets, tracking sales by item, etc. For a relatively simple small business, QuickBooks allows the owner to essentially be one's own accountant, bookkeeper and finance manager.

I also worked with Christopher to determine the various revenue streams running through the company (i.e. cafe sales, book sales, space rental, etc.) and we set up classes in QuickBooks to track the business activity by its various elements. Interestingly, we also set up the rent expense not to be included in the direct costs of doing business. The reason for this was to evaluate the success of each business activity on its own terms, without the potential barrier of prohibitive land cost. Set up as a limited share company, The Collective offers the community the opportunity to buy shares that serve as risk capital and cover the land cost, thus enabling the rent to be a function of the turnover of the business, rather than a flat rate that risks hindering the entrepreneurial activities.

Finally, Christopher and I collaborated on a financial plan template, which I tailored to The Collective but which is designed to be accessible to any sole proprietor or company. Imbedded within the financial plan, which also links to a balance sheet and cash flow spreadsheet, are the three precepts.

In addition to running the cafe, I attended Christopher's course, Colors of Money, which looked at economic and financial history, the emergence and eventual separation of the goods and financial economies (i.e. the economy of buying and selling goods and services, in contrast to the economy of the financial markets), and accounting, all as backdrop to learning the three precepts and enabling one to run a small business – or any business – such as I was doing with The Collective. Throughout our work together, Christopher was also developing the financial literacy seminar for *CRESSI*, which culminated in his giving the seminar to business students at a local secondary school.

The combination of daily management of The Collective, Colors of Money and the seminar development formed the structure of the associative economics intensive. Keeping in mind that these elements were somewhat the blueprint of the experience, I will now explain how my personal circumstance informed and shaped our work together. What I have described thus far could be more or less replicated by anyone; what follows is a description of the unique collaboration between Christopher and I, based largely on my own interests.

A Look at Food Systems Work and Social Justice Through the Lens of Associative Economics

Perhaps it is worth giving a brief explanation of my background, to contextualize the perspective and questions I brought to Folkestone, and why I was interested in doing this in the first place. My academic training is in history. Tracing the colonial and imperial exploits of the world's major empires around the globe, I was specifically interested in (and disgusted by) the consistency with which colonizing powers – generally, though not exclusively, white and European or Anglo-Saxon men – systematically supplanted the identity and agency of the colonized, resulting in the global order we today live in and (often) take for granted.

Professionally, I have spent the better part of the past decade immersed in the world of sustainable agriculture, working with farmers in the United States, West Africa and Latin America, running programs to increase access to healthy food among underserved populations, and connecting conscientious consumers with independent producers to develop more viable and resilient production, distribution and consumption practices within our food system.

I continue to work with farmers and on food issues today. Informed by both my academic and professional work, and propelled by my innate sense of justice, I am extremely sensitive to any work or motivation predicated on an assumption that a more privileged party knows better than a less privileged. I have been disappointed to find such an approach all too prevalent in food systems work. Therefore, a large part of my motivation to undertake the associative economics intensive was to begin forging new ways of working in this field that prioritize empowerment rather than charity. Certainly there is a place for expertise, but advice, especially when it concerns one's personal or a community's collective choices, should respond to and build on an individual or community's knowledge and experience, not supersede it.

Given my background, several themes emerged early on in our conversations that began to direct Christopher's and my work together, all based explicitly or implicitly on the idea that accounting serves as a foundation for action. One was a critique of the ubiquitous notion of "marginalization" – an academic term used to describe people with very challenging life situations. Synonyms might be 'underserved,' 'poor,' 'disenfranchised,' or 'discriminated against.' Given my abhorrence of the "we know best" attitude toward helping the needy, and Christopher's conviction that 'under-privileged' populations need access to credit on their own terms, we had many discussions that looked at basic bookkeeping as a tool for empowerment. Despite popular and widespread discourse on 'community-led' and 'bottom-up' development, there is minimal focus put on equipping people with accounting and financial tools to express their ideas and in turn get them capitalized. Inevitably, we then find ourselves continually stuck in a vicious cycle of charitable giving, while most problems remain unsolved.

Another theme was farmland ownership, looked at in the context of the transition of land from one generation to the next. This is particularly relevant in the U.S. where over half of our farmers are approaching 60 years old and many do not have an heir interested in or able to take over the farm. We looked at the effect of modeling farmland ownership after the structure of corporation. By putting farmland into a company, the landowner could sell shares in the company to recoup the value of the land. Meanwhile, the land could then be leased to a young or beginning farmer. Importantly, the new farmer would not own the land and therefore would not have this asset to fall back on should he ever decide to stop farming; but neither would he have to come up with the substantial and often prohibitive down payment to buy land, or have a monthly mortgage expense. In this way, a new farmer would be able to build his farming business out of his competencies and the market's demand and ability to pay for his products, rather than being dictated by the cost of land. Simultaneously, this could be a viable exit strategy for a retiring farmer who wanted to ensure that his land remained in farming.

Finally, we looked at the share company structure generally, and considered the idea that all other business models, such as non-profits, coops, land trusts, as well as alternative accounting classifications such as triple bottom line accounting and B corps designations, are unnecessary if the share company operates by the principles of associative economics. For example, if companies operated with the understanding of true price and recognized the real costs of doing business, there would be less need for charitable organizations to pick up the slack. Similarly, would triple bottom line accounting be necessary if all companies simply prioritized social and environmental principles as a matter of course?

Conclusion

Having returned to the U.S., I am now working with beginning farmers, many of them Latino immigrants, who aspire to be our country's next generation of farmers. My hope is to share with them the financial tools I learned. In addition to the tangible bookkeeping and financial planning tools which I now use for myself and plan to share, what I took away from this associative economics intensive, above all, was the sense that resources to support my and others' entrepreneurial ambitions are abundant, provided we express our intentions in clear financial terms. Financial literacy (i.e. bookkeeping, business planning, and budgeting skills) is a powerful tool for making one's vision visible to the world. Putting precise numbers to our ideas becomes our contract with funders and supporters, and a clear financial plan could even be seen as collateral to give funders and investors the confidence to support our ideas. I am convinced that the problem is not a lack of capital to support ideas but rather a lack of financial literacy to provide opportunities for and justify receiving capital. Therefore, the onus is on us – any and all of us – to begin behaving more like entrepreneurs.