

Education of Economics (Heroes of Finance)

By Daniel Osmer

I am here today to tell a story I call "Guardians of the Future". Two very successful banking institutions, one founded in the late 19th century and the other founded in the late 20th century, had true visionary founders able to perceive future trends and incorporate that knowledge into a social structure (share company) that continues to serve their communities.

To a large extent, finance determines what projects and initiatives move forward and which ones do not. Bankers practice the fine art of accounting and finance in order to be better able to perceive the future and see both risk and benefit. We all know how important it is to have all our 'ducks in a row' before going to see the banker for financing an initiative or enterprise. The thought of this stops many from crossing this threshold. This story is about two financial heroes who recognized opportunity and turned it into success, both financially for their institution and also for their communities. They saw a different way of doing business based on their confidence in the future and in the creative intelligence of human beings.

Frank P. Doyle co-founded Exchange Bank in Santa Rosa, California in 1890 (www.exchangebank.com). Paul Mackay co-founded Triodos Bank in 1980 in Zeist, Holland (www.tridos.com). These two leaders, past and present, have created a new breed of bank that, in many respects, are among the most successful in the world. Both of these men of high finance also focused on higher education. We can ask ourselves: Why? I hope that it becomes clear from their example that it is both possible and desirable to awaken economically so that we too can become guardians of the future and fund what is best for the whole community and not just a few.

After the 1906 San Francisco earthquake, the leading banker of the North Bay, Frank Doyle, helped found the Santa Rosa Chamber of Commerce in order to pick up the pieces and rebuild the town from its devastation. Doyle advised the businesses along 4th street, the main Santa Rosa street, to build the road wider than in the past to make way for the new-fangled invention he thought might amount to something – the automobile! Finance seems to be about perceiving the future and acting appropriately. Perhaps his greatest insight was his perception of the need for a bridge over which people could get to the North Bay from SF, and thereby revitalize the wrecked economy of Sonoma County. For 10 years, along with Ernest Finley of the Press Democrat and others, Doyle both secured the financing and convinced the public to support the building of the Golden Gate Bridge. In fact, Doyle is remembered as the 'Father' of the Golden Gate Bridge. During the devastation and confusion after the 1906 earthquake, Doyle was instrumental in setting up a temporary "Note" system to replace the national currency until the banks could reopen. A note system is really a community currency, a regional currency.

When Frank Doyle died in 1948 the public learned he had gifted 51% of the shares in the Exchange Bank Corporation to a trust perpetually dedicated to funding "... young men and woman attending Santa Rosa Junior College." Since then this hybrid corporation with a dual mission has paid above-average dividends to 550 regional shares holders as well as put millions of dollars into the newly founded Doyle Scholarship Fund.

Frank Doyle founded Exchange Bank along with his father in 1890. Santa Rosa, California is the largest city in Sonoma County, known for its abundant growth. Organic agriculture and vineyards as well as young minds and new enterprises grow well through higher education and high tech initiative. He wanted to insure that the bank corporation would always be a successful community-centered bank. As far as I know, this is the only bank in the county that has found balance from this innovative and effective corporate structure. This year alone, more than five million dollars was systematically "gifted" to regional student scholarships, the Human Race, and 270 local public benefit initiatives. Is this a practical demonstration of the economic effect of conscious and structured gifting?

Since 1948, more than 115,000 students have received over \$76 million in educational grants. The potential beneficial effects of capital and the power of finance cross a threshold through its continued success and maintained mission, which transcends even the death of its founder. The Santa Rosa Junior College is considered to be one of the country's top community colleges. Its success has made a significant contribution to the regions economic viability and vibrancy. Frank Doyle's consistent and considerable investment in the education of young people, and the regions 'creativity infrastructure' has proven itself to be culturally and commercially fruitful. This demonstrates the potential transformative power of directed gifting as an effective, yet under-recognized, element of economic science.

In another critical historical moment, Doyle played a key role as a calm and confident leader. On March 2, 1933, California Governor James Rolph declared a three-day "Bank Holiday". Depositors around the country were withdrawing funds. Frank Doyle commented on the bank holiday in the Press Democrat, "... a wise move in that it prevents withdrawals for the purpose of hoarding. There are ample funds if they are used legitimately, and are not hoarded. Every dollar in a safety deposit box takes from six to eight dollars out of circulation ... Sonoma County depositors have nothing to worry about." Exchange Bank expects to weather the current financial storm.

Paul Mackay lives near the Goetheanum, a worldwide center for Rudolf Steiner's work, and is Director of the Social Sciences Section in Dornach, Switzerland. It is part of the organization behind Waldorf Education and Biodynamic Agriculture worldwide. Born in 1946 in Hong Kong, Paul Mackay studied economics in Rotterdam, Netherlands and business administration in Fontainebleau, France. After working in international finance, he became active in banking and co-founded and managed a new kind of bank called Triodos Bank in Zeist, Netherlands. He is also a current member of the Supervisory Board of GLS Gemeinschaftsbank. Paul lives behind the Goetheanum just outside Basel, Switzerland with his wife and three boys. On the occasion of 25 years since the new bank's founding, Marco Visscher, in a January 2006 Ode Magazine article, *Banking on Change* (www.odemagazine.com), writes that Paul and Triodos banked on the idea that people with their hearts in the right place would invest their savings in biodynamic farms, Waldorf schools, health-food stores, natural

health clinics, theater troops or companies that make non-violent toys rather than in large corporations with no vision of a better society. And that has set the tone for 25 years of profits linked to ideals.

Both Doyle and Mackay, as masters of finance, knew that investing in the "Creativity Infrastructure" and the young in particular, makes for a culturally rich environment as well as good business. A pivotal moment for Triodos Bank happened when the then-managing director, Paul Mackay, personally experienced the after-effects of the 1986 (Spring) nuclear disaster in Chernobyl, Ukraine. As the radioactive cloud moved westward from Chernobyl to contaminate crops in the Netherlands, it also happened to include Paul's radishes from his garden. This event shook him to the core as he wondered: What could the bank do to help? Inspired by the managing director's failed radish crop and the endless letters from depositors, the decision was made by Triodos Bank Board to begin developing its own initiatives and go beyond traditional banking activities. They began by investing in wind power parks in order to demonstrate that there are alternatives to nuclear energy.

Paul and his colleagues at Triodos Bank are known for their early recognition of the importance of the proactive financing of organic agriculture and sustainable-energy projects. Triodos Bank began the first "Green Fund" on the Amsterdam Stock Exchange in 1990. Paul Mackay and a loan officer (now CEO) adopted a new economic approach and demonstrated that cooperative association and intelligently designed partnerships can prove alternative energy to be beneficial, competitive, and possible. According to the article, Triodos Bank brought together California entrepreneurs, the Dutch Ministries, manufacturers from Germany and Denmark, the European Investment Bank, which put the Netherlands out front as a world leader in sustainable energy production. In the northern Dutch town of Swifterbant there is a Triodos Bank-funded venture by five farmers. The wind park, United for Wind, provides enough "green" electricity to power 10,000 households.

Triodos has also provided dividends and guided funding for both private shareholders and social change organizations. They introduced a system whereby a larger group of people could act as guarantors funding new initiatives that do not have assets. With funding from Triodos Bank, ACLEDA Bank in Cambodia has evolved into a successful, 100-branch micro credit bank. Since then microcredit has become a popular tool for unleashing creative human potential all over the world.

Paul Mackay has moved from banking to directing an international organization that supports the arts and education worldwide. Frank Doyle left his bank in the hands of others more than 60 years ago. How have these men of finance and initiative been able to perpetuate their original aims and still maintain profitability despite their absence? With Triodos it remains to be seen. In order to protect and maintain his original mission, Frank Doyle crafted a sturdy vessel in the form of a hybrid corporation, a combination of share company and perpetual trust. This structure seems to allow for shares to be

bought and sold without impeding or interfering with either the management of the enterprise or the mission of the enterprise.

This ideal of ethical banking seems to be right in line with the intention of the internationally registered and monitored Quality Guarantee Mark (www.ae-institute.com) which is available to any organization or business that meets the 'best practices' criteria. It is the 'certified organic' seal of approval for financially differentiated and ethically operated community-friendly organizations of any size or kind. This modified, or as Bucky Fuller might say, "trim-tabbed," modern share corporation encourages equilibrium between the three main elements of any organization: That is, between the mission of capital, the management of capital, and the providers of capital. This allows each of these three distinct areas to operate out of their own logic, yet not infringe upon each other. The share corporation is not only a "capitalist entity", it can also be used as a vehicle for the popular guidance of the means of production and its sharing of surplus value. One secret to building equitable (fairly shared) capital into a corporation has to do with understanding the difference between voting rights and pecuniary rights. (see 'Right-On Corporation' www.cfae.biz). The aim or mission of an enterprise can be protected and maintained through voting shares, even just one share, while the right to residual value flows to the capital providers non-voting shares. Even these non-voting shares can be modified to suit the particular needs of all the constituencies who shared in creating the value of the enterprise.

Can the modern share corporation be adjusted so that it works for the whole community - all the stakeholders - at any level, scale, or location? The research reveals that the share corporation, as an evolving form, has inner as well as outer significance in human development. Capital is the economic expression of human individuality and needs to be placed in the path of human initiative. Frank Doyle's message seems to reflect this fact, that structure and form can either hinder or help human cooperative endeavor. Exchange Bank, and for now, Triodos Bank, both seem to have found a way to manage capital and share the residual value equitably with all the stakeholders over a long duration.

Frank Doyle and Paul Mackay are both true universal heroes of finance and champions for the quality education of our youth and proactive social investments. They both show by their own actions how essential the education of human creative intelligence is to our common economic future. They can be pointed to as role models for young people looking for worthwhile work in the world. While technically, the economic function of education, cultural activity, and creativity is to "use-up" economic value, so to speak, its economic effect is to create new economic value once applied.

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