



# NEWS FROM SOMEWHERE

A new economics reader

20 years of **nef** (the new economics foundation)

Edited by David Boyle and Andrew Simms

**nef** is an independent think-and-do tank that inspires and demonstrates real economic well-being.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.



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real wealth  
means well-being

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lifestyles must  
become sustainable

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communities need  
power and influence

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**nef** The New Economics Foundation is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G8 summit meetings. It has taken a lead in helping establish new coalitions and organisations, such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and environmental well-being.

Return to Scale, overview by Andrew Simms,  
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## **Preface**

The great privilege of all those who have been involved in the work of the New Economics Foundation (NEF) has been the opportunity to focus on building a better world.

The 'empirical' model of economic research that grips academic and policy life limits itself to the claims and counter-claims of the fine-grained details of current trends. NEF, in contrast, is a dreamer. Starting from an acceptance that current patterns of economic life remain destructive in terms of human poverty and ecological sustainability, NEF focuses on the fundamental questions of how economic life could be organised differently. It lives out the words of George Bernard Shaw, when he said "You see things; and you say 'why?' But I dream things that never were; and I say 'why not?'"

The beauty of NEF is to ally a visionary model of research with the tough entrepreneurialism of making things work in practice. By exploring and developing practical alternatives, and getting its hands dirty, NEF is not simply harnessing innovation but offering food for the imagination. Imagination has always been the most powerful tool for social change, and the examples of practice NEF develops helps not just to test but also to demonstrate a compelling and transformative vision of future life.

In doing so, NEF has helped to champion what is increasingly recognised as a new sustainability sector within the economy that internalises values of fairness, diversity and environmental limits. NEF's achievements that I have witnessed over the last decade include:

- 120,000 hours banked in time banks across the UK
- Shaping and leading the Jubilee 2000 coalition, achieving 24,100,000 signatures worldwide and \$34 billion of debt cancellation
- Pioneering the tool of social auditing, now used by around 250 companies worldwide each year
- Starting the Ethical Trading Initiative, which ensures that the thirty largest retailers in the UK now monitor the majority of their overseas suppliers against core labour standards
- Policy change leading to an additional £100 million invested through a new generation of community banks
- Starting the Social Investment Forum, to foster an ethical

- investment sector with over £4 billion in retail funds
- Pioneering sustainability indicators, now published on an annual basis in the UK
- The appointment of the world's first Corporate Responsibility Minister.

These achievements illustrate that NEF has found ways to balance the short-term culture and Westminster-focus of think tanks (another week, another issue) with the long-run nature of the changes it proposes. NEF has tried to institutionalise innovation rather than simply put out reports. It has helped to build a family of organisations dedicated to building an inclusive and sustainable economy.

There is an endowment of radical thinking in the UK and an alternative tradition on which NEF draws, though the energy and quality of NEF's ideas factory owes most to the vibrancy of its staff, supporters and organisational partners in the wider social and environmental movement. NEF's work is central to contemporary debate, but also a test-case in a deeper, long-running experimentation about the sustainability and dignity of life on Earth.

*Ed Mayo* was Executive Director of NEF from 1992 – 2003

# **NEWS FROM SOMEWHERE**

## **The growth of new economics**

There was something about the year 1984 that gave it a peculiar resonance for the post-war generation. Those who grew up with George Orwell's novel with that year as its title looked ahead to 1984 as a symbol of everything that could go wrong with society – and with the hope that the world might be different from that experienced by Big Brother and Winston Smith.

In the event, we had convulsions enough – the British Miners' Strike, the emergence of Mikhail Gorbachev and the arrival in the UK of cruise missiles. We had the Greenham Peace Camp, and we had the countdown towards the Big Bang de-regulation in the City of London – and the world of wild worldwide speculation that we have become used to since.

There was no Big Brother, but there was – in a sense – a series of them. They were the six Big Brothers and one Big Sister of the G7, the leaders of the seven, self-appointed most powerful countries in the world, whose increasingly influential summit meetings every summer presumed to decide the economic future of the planet.

It was a different world in those days. Later on, under the influence of the counter-summits and the green and development movements, the G7 final communiqués would eventually pay lip service to the great issues – poverty and the environment. But back then, there was no hint that there might be any other way than economic growth, environmental destruction, and the hopeless dependence of rich and poor alike on an economic system that only delivered for a privileged elite. 'There is no alternative', said Margaret Thatcher – the Big Sister – only a few years before. And the economic assumptions of the G7 were going virtually unchallenged.

It was the arrival of the G7 in London in June 1984 that gave birth to what is now the New Economics Foundation. The idea of a counter-summit, that could challenge their right to speak for the future of the Earth came from the Ecology Party activist Sally Willington, who emigrated to Australia in 1989. She presented it to the party council as the WEDGE project in July 1983 – a bid to get to grips with the economics of more' – after an article by the *Guardian* columnist Harford Thomas, urging the G7 summit in Williamsburg to tackle the issue of the unemployment on their own doorsteps.

She and colleagues planned to fly to Williamsburg to confront



them, but were warned that the American authorities would refuse them entry. But still, wasn't the summit going to come to London next?

Sally persuaded Jonathon Porritt, about to be appointed director of Friends of the Earth and then Ecology Party chair. Jonathon believed a counter-summit required a new organisation to manage it. He contacted James Robertson, the author of the influential book *The Sane Alternative*, and his partner Alison Pritchard, co-ordinator of the Turning Point network, and together they hammered together a committee which met in Jonathon's flat, around the corner from King's Cross Station in London.

The TOES steering committee included many names that were going to become familiar as the sustainability debate took hold – especially after Mrs Thatcher's surprise declaration three years later, under the influence of Prince Charles, that she was a 'friend of the earth': David Cadman, John Elkington, Liz Hosken, Gerard Morgan-Grenville, Duncan Smith, Jakob von Uexkull and many others.

The result was The Other Economic Summit (TOES), which brought together a diverse mixture of environmentalists, radical economists, futurists, mystics and community activists. The three-day event attracted more than 140 people, and launched with a rally at Friends House on the Euston Road, chaired – rather unexpectedly – by the former British Ambassador to Washington and future BBC economics correspondent Peter Jay. Among those on the platform was the World Bank economist Herman Daly, shortly to make his name as one of the godfathers of green economics, as the co-author of *For the Common Good*. Using today's language, the event was, in effect, the first 'anti-globalisation' rally.

Of course TOES wasn't the only challenge to the G7 leaders, over at Lancaster House – with TOES taking place around the corner at the RAC Club in Pall Mall. There were protest vigils outside by Quakers, protest drumming by Buddhists and a major CND rally in Trafalgar Square. But TOES also ignited something. When economics seemed constantly to be the end of the argument for sustainability, when economists seemed lined up hopelessly for the narrow status quo, it was an attempt to pull together a new kind of economics that would work for people and planet. Or, more accurately, it was an attempt to bundle together work by a wide variety of people in a range of fields as a single school of thought – a New Economics. It was ad hoc, it was makeshift, but it was enormously hopeful.

TOES met again in a much bigger event the following year, and the papers of the two conferences were edited together by the

green economist Paul Ekins as *The Living Economy*. By then, Paul had been appointed as the first director of the New Economics Foundation (NEF).

This short collection isn't an attempt at a history of NEF, though it seems likely that NEF's history as the originator and propagator – among many others – of a range of ideas that are increasingly mainstream will make that necessary. It's an attempt to celebrate the development of a phenomenon: a think-tank which also makes things happen on the ground, and the development from that ad hoc group of people in Jonathan Porritt's flat to a small office with one part-time member of staff to what is now the biggest think-tank in the UK, and the Think Tank of the Year 2002.

It will also go some way to show how NEF has remained true to its roots, which are – despite one description in the political press as a 'New Labour think-tank' – very much in the green and development movements. Of course successful think-tanks tend to shift emphasis from big ideals to small but achievable changes – and can lose something in the shift – and that tension has been evident since NEF began to grow rapidly in the mid-1990s. But it's a healthy tension too.

It also shows how successful some of the original TOES thinking became. Within a couple of years, TOES speakers were beginning to find their way into the mainstream. Professor David Pearce became advisor to Environment Secretary Chris Patten, Jose Lutzenberger became Brazilian environment minister, and a whole string of ideas shifted almost without anyone noticing into the mainstream as well.

There is now £3.8 billion invested ethically in the UK alone. There are up to 9,000 local currencies around the world. Alternative economic indicators and social auditing are now completely mainstream. Energy taxation has been muddled by many of the governments that have enacted it – including the EU – but it is at least in place. Community banks are growing across the world. But, of course, none of this is nearly enough.

Thousands of activists around the world identify today with the so-called 'anti-globalisation movement'. This book is also for them. Many will be interested to see that their concerns, and the ability to organise around them, did not begin in Seattle in 1999 when a meeting of the World Trade Organisation ended in farce and disorder.

They have a history stretching back to the earliest days of NEF and, in many ways, long before. It's possible to go back to the earliest days of the industrial revolution. But more recent and at least worth a mention, is that 2003 is the 30<sup>th</sup> anniversary of the publica-

tion of E. F. Schumacher's classic, *Small is Beautiful*, a book that set the tone for an earlier generation of campaigners and thinkers.

Important for the current global movement is the lesson that we must be as much in favour of positive solutions, as we are against the negative face of globalisation. This book gives a taste of the range and depth of possible other approaches. It shows what can be done and points toward a new agenda. It also gives the lie to the claim that people who wave warning flags have nothing else to offer in place of what they criticise.

*David Boyle*

*Andrew Simms*

October 2003

1984

## George McRobie, Jenifer Wates

The trouble with the idea of a 'New Economics' is that "I do not believe that such an economics yet exists," said the Chilean radical economist Manfred Max-Neef at the original TOES conference in June 1984, and that seems to capture the atmosphere of the early days. There was a sense of the importance of a conference to hammer out a New Economics, but there was caution too – a hint of realism, an understanding that it was a task that was as big as it was urgent. It wasn't going to be achieved in three days in London.

The headings were clear enough – the problems of unsustainable growth, environmental destruction, third world debt, unemployment – and there were clear proposals about some of the measures that could be taken. Basic income, local currencies, alternative economic indicators were all on the agenda for the first TOES. The task was somehow to package them into a coherent school of thought, and that was tougher – especially given the diversity of the people who came along.

Even so, George McRobie's opening remarks managed – in just a few sentences – to sum up the purpose behind the whole event. The first passage is what he said. George had been a friend and collaborator of E. F. Schumacher, whose book *Small is Beautiful* had been published a decade before and had launched the range of initiatives and ideas that were coming together at TOES. But George is a practical and good-natured optimist – the author of *Small is Possible*, and later the first chair of NEF – and that sense shines out in this statement. He was later profiled in the *Evening Standard* as the 'Jolly green giant'.

The second passage was by one of the original TOES committee, Jenifer Wates of Commonwork, and was published in the Quaker magazine *The Friend* as a contemporary report of the event that led to NEF.

## ***Aims of TOES and new directions for economics***

TOES has been organised because of deep disappointment with the analysis and achievements of previous economic Summits, and to give impetus and expression to the wealth of new economic thinking, which has arisen as a response to the interlocking crises of economic stagnation, unemployment, third world under-development and debt, resource depletion and environmental degradation and the burgeoning arms race.

It is the belief of the organisers of TOES that conventional economic thinking, whether Keynesian or monetarist, has no solutions to these problems.

The aims of TOES are ambitious. Not only do we intend to define the current level of understanding of a new economic frame of reference more comprehensively than ever before. We are confident that, given the collective expertise of the many eminent 'alternative' thinkers and economists who are participating in the conference, we will significantly increase that understanding.

Moreover, we aim to pinpoint the really vital issues and questions which still need further research before we can promote a really detailed programme of action. For we do not claim to have fully-worked solutions to the awesome problems of today. What we can identify are the directions in which those solutions lie, and we hope that TOES will encourage and inspire more people to investigate those directions.

The new directions themselves will be elaborated day by day at the conference, in answer to three specific questions:

- What work will people do?
- How will it be paid for?
- How will the Earth sustain it?

The answers to emerge will entail new ways of organising work and meeting human needs, and of guaranteeing incomes; a new emphasis on economic self-reliance, including local economic regeneration and enrichment of poor countries through self-reliant development strategies rather than increasing third world dependence; new awareness of ecological constraints, of human needs for survival, social justice and self-fulfilment, and new economic concepts to take these into account; new growth areas for economic activity in energy-efficient and resource-conserving industries and in care and maintenance of the built and natural environment.

It is a formidable agenda for a massive advance in human welfare and wealth, in the widest sense of the word, worldwide. With apologies to my old friend, Fritz Schumacher, it is not a small agenda, but it is beautiful. It is also becoming increasingly obvious that it is possible.

*Taken from the statement by George McRobie, 6 June 1984.*

### ***The other economic summit***

Yawns and cynicism greeted the recent gathering in London of the leaders of the OECD countries for their annual 'more of the same' session, known as the Economic Summit.

More and more people are becoming aware that there is something wrong with an economic system which creates unemployment and waster, poverty and injustice, and which threatens our whole natural environment. As William Clark put it at the TOES rally, the summit leaders are like a committee of the "first-class passengers" who form one fifth of the world's population and consume four fifths of the world's resources – and who take no notice of the fact that the lower decks of the ship are already waterlogged.

TOES (The Other Economic Summit) was born out of that awareness among a small group of people, originating with members of the Ecology Part and including economists, practitioners and leaders of organisations committed to the development of alternative economic systems (several of them Quakers). Financial support came from various sources, such as the Cadbury Trust and Scott Bader.

The aim was to demonstrate, publicise and develop another view of economics, challenging the conventional assumptions which underlie our present system. For example, Herman Daly, the renowned American economist and author of *Steady State Economics*, spoke at the rally criticising the concept of 'growth' as a criterion of economic success, on the grounds of its un-costed impact of finite resources.

He called for a 'husbanding' type of economy directed towards survival and justice, and meeting real human needs on a global basis.

TOES ran for four days parallel to the G7 summit, and involved 140 people from 16 countries. It opened with the rally at Friends House chaired by Peter Jay, which aimed to spell out the agenda for

a summit worthy of the name; and it continued with three days of workshops and seminars, and a debate on development issues. The broad themes, discussed in terms of local, national and international perspectives, were: people and work; finance, trade and institutions; and resources and environment.

The discussions took as their starting point a series of papers which had been prepared by specialists from all over the world, including economists such as the Chilean Manfred Max-Neef, director of the Centre for the Study and Promotion of Urban, Rural and Development Alternatives; Roefie Hueting from the Netherlands, author of *New Scarcity and Economic Growth*; Anila Graham from India; Herman Daly, Michael Phillips and Ed Barbier from the United States; Sheila Rothwell, Anne Miller and Frances Stewart from the United Kingdom.

The speakers' high intellectual calibre and the meaty practical content of their papers (which are available at £8 per set), combined with the contributions from participants with a wide range of experience, added up to a conference full of ideas and possibilities worthy of more extended follow-up.

Some of these ideas were expressed in the Final Communiqué issued by TOES on June 10. The assumptions that unemployment can now be brought down significantly by further conventional economic growth, and that development in the poor countries depends on the further enrichment of the rich countries, were agreed to be fallacious. Conventional economic 'development' causes depredation of finite resources and fuels the arms race; it fails to count the costs in terms of either resources, opportunities, or human needs.

Real development, on the other hand, will emphasise quality rather than quantity, will be based on sustainable ways of living, and will enable rich and poor alike to build up their self-reliance within an environment under their own control.

Such development will follow the principle enunciated by Manfred Max-Neef, that "every big problem requires a great amount of small solutions". It will require imagination and a diversity of perspectives, freed from the straitjacket of conventional economic discourse. It will require flexibility and the kind of paradigm of work and life that many women have already adopted.

In the new economics, technology design will play an important part. Industries based on conservation and renewable resources will be promoted. Local enterprise and more self-reliant local economies will be encouraged. Education will develop skills and resourcefulness and the practice of co-operation. New ways will be

found to provide access to capital and land, and to distribute personal incomes more equitably.

How do we get there? The task requires committed work, both in terms of practical initiatives and models, and of the development of new economic concepts and techniques. This work has already begun. TOES aims to continue to spread the work and to build up personal and international links. There will be another TOES conference at the time of the next G7 summit, to be held in Germany in 1985.

Now that we know the emperor has no clothes, we can get on without the emperor. The question is what we put in his place.

*From The Friend, 6 July 1984*





**1985**

## **Hazel Henderson**

A flurry of new economic writings about the future appeared after *Small is Beautiful*, and of all the alternative writers in the late 1970s, one of the most influential was Hazel Henderson. Her books *Creating Alternative Futures* and *The Politics of the Solar Age* carved out a series of new directions for economics – the culmination of her career since a successful campaign in the mid-1960s to get US broadcasters to include pollution indices on the weather forecasts.

The G7 summit moved to Bonn in 1985, but TOES stayed in London and transformed itself into a major conference – attracting 500 thinkers from all over the world – with a particular emphasis on health, and developing ways that the economic system could promote it rather than hinder it.

Hazel gave the closing address, setting out a list of the major areas of activity that the New Economics would have – much New Economics was list-making in those days. This is part of what she said.

### ***TOES closing speech***

To me economics is just a sub-system of our multi-dimensional, changing, living planet. Every economic system is simply a set of rules that each culture makes. If we saw it as a set of rules made differently by different cultures, then it might help us also to see it as a set of belief systems, which is simply outdated.

So much of economics is gross ignorance: ignorance of ecological systems, of biological systems, of many psychological and anthropological understandings. So it's not surprising that economics today is off by orders of magnitude, and it's becoming increasingly obvious, as the following points show:

- 1 Economics is starting to show its true political colours – the politicising of the global financial institutions, especially the IMF and the World Bank, is now occurring and the long-stand-

ing discussions of the new international economic order is straight political discourse. The private banks are writing down those third world loans as fast as they can. They dream up new words, of course, rescheduling, restructuring, renegotiating – anything that will make us believe that the game is still intact, anything to preserve the game. This is getting harder and harder to do, especially with the U.S. now the biggest debtor on the planet.

- 2 There's a growing critique of economics itself, inside and outside the profession, and of the failure of economic forecasting, which is all over the financial press. 'Economist-jokes' now abound. Economists have had to take to rebuttals and hire public relations firms to try to polish up their image.
- 3 There's the growing crisis of the world trade system and the whole comparative advantage/free trade/global marketplace model. The realities are invalidating the theory, left, right and centre. The realities are that the global funny money game is out of control with footloose capital, 24 hour a day asset management, rapid technological obsolescence, structural unemployment everywhere, fewer and fewer large winners and ever more losers, to the point of famine and hunger. So that we see now is widespread covert protectionism. All the time the leaders are talking about free trade and the global marketplace, but everyone of them is, one way or another, into this covert protectionism. And so I think that what is happening is that pragmatic politicians, representing real localities, are finding it impossible to pursue any local development goals. This disbelief in economics is growing, because their local development plans get dislocated every morning when the currency exchange markets open in London or Tokyo. And you cannot run any locality, even a nation state, that way.
- 4 The whole area of the social costs of world trade is becoming more visible. Obviously the arms race is the most serious social cost, and the arms race and resource wars and because of these resource-intensive technological development pats, where everyone is trying to get into resource-intensive development of automobiles and this whole trade in more and more capital-intensive goods. So we have this growing list of social costs of world trade – pollution, depletion of land and all the things that we've been hearing about, deforestation and so on. Ten years ago I was saying practically intuitively that the price of the world trade model was the

disordering of every local social system and every local region on the planet. The need for delinking strategies everywhere is now right at the top of the agenda.

- 5 The inability of national governments to manage their affairs is also shown by the performance of the economic indicators. As well as the two old devils – unemployment and inflation – there are three other bad news indicators spreading through the world economy almost like cancer – mounting government deficits, high real interest rates, unruly trade balances. These are the new indicators to watch, from which our leaders are trying to take our attention. But it's becoming increasingly difficult for leaders like Mr Reagan or Mrs Thatcher to play the politics of the last hurrah. They try to divert attention, fudging the figures on inflation or unemployment. But now, with these five indicators instead of two, you push down inflation and not only unemployment shoots up, but government deficits, interest rates and trade deficits too. It's becoming an impossible game for governments to play.
- 6 The next item I think is the evidence of the increasing unreality of money itself. And the whole 24-hour asset management game. Arbitragers and speculators can make more funny-money by doing this kind of stuff in the global funny-money game than by investing in a real factory to produce real goods and employ real people anywhere in the real world.
- 7 Then there's the re-emergence of the informal non-money sectors, as more evidence that the economic logic has broken down. And we're beginning to realise now that this informal voluntary sector has always buttressed the GNP sector, not the other way round, as economists who have it.
- 8 The growth of citizen movements is further evidence of the disbelief in economics all over the world. They have grown up and formed around the dis-economies and the dis-services and the dis-amenities of the existing economic structure and assumptions. The citizen movements for environmental protection and peace and human rights – they all go way beyond the trade union critique. They go beyond the distribution within economic theory to the critiques of economics itself.
- 9 Within economics, there has been the evolution of economic theories and indicators themselves, about which I wrote my paper. What I would add now is that so far no professional responsibility has been taken by the economics profession to bring to the attention of the public or governments the weak-

ness of the GNP indicator and the fact that there are many other ways that they could go. I have been banging on the doors of the American Economics Association since I first went to one of their meetings in 1973, trying to urge them to be more professionally responsible about telling us that GNP is ridiculous. I mean any economist will tell you that after a couple of drinks! But they keep it under their hats for obvious reasons, and we should be sympathetic because they have intellectual investments, they're putting their kids through college, they have textbooks that the students have to buy and all of the statistics are organised that way...

From *New Economics 85: Report and Summary of The Other Economic Summit 1985*, TOES, London, 1985. More about Hazel's work on [www .hazelhenderson.com](http://www.hazelhenderson.com)

**1986**

## **Paul Ekins**

After the success of TOES 1985, it became clear that the idea needed a permanent secretariat, and the New Economics Foundation was formally launched next summer, dedicated to “the development and promotion of a new economics which gives due weight to the satisfaction of a whole range of human needs, personal development and social justice, sustainable use of resources and conservation of the environment”.

It was difficult to fund and difficult to turn into reality, but NEF had a new rising sun logo, an office – in the South Bank Business Centre in London – a director (Paul Ekins) and an assistant (Francis Miller). It sent a delegation to the G7 summit in Tokyo, even intervening in the bitter dispute over a planned new airport for the city – the reference to the highly successful pioneering Tokyo consumer co-op Seikatsu here comes from that visit. It also had a respectable body of work behind it: the papers at the two TOES conferences, given by some of the leading new economists in the world.

Edited together by Paul, and published by Routledge that year as *The Living Economy*. It was the first text book the new-style economics and it was an immediate success – a showcase for what NEF had set out to achieve.

This passage is Paul’s description of an emerging paradigm based on the book, though it was actually written as a speech for the Society for International Development in New Delhi in March 1988. Even so, it is an accurate version of the message that NEF was pedalling in its first months – again the list is evident, and the overwhelming need for academic legitimacy. New Economics in those early days was as much about collecting together what was already happening as it was about formulating something new. *The Living Economy* brought both processes together.

### ***The living economy***

Since the industrial revolution and the birth of capitalism, many peo-

ple have argued that this was not in fact the 'best' way to organise economic activity – with 'best' having a number of different interpretations.

More recently, however, a different critique has become perceptible, elaborated over a number of years by many people and organisations, among them The Other Economic Summit (TOES), who have sought to develop new economic approaches to a wide range of issues in a number of areas.

Many of these approaches are not particularly new in themselves. Some draw heavily on elements of earlier critiques. Taken together, however, they do add up to a picture of economic life which is radically different from any currently existing political economy, whether industrial or non-industrial, capitalist or socialist.

The outline of this new economy was clearly delineated in *The Living Economy*, which was based on the first three years of TOES' work organising international conferences focused on the annual summit meetings of the seven rich market countries. The purpose of this article is to describe this outline.

The essential feature of the *Living Economy* are:

- A commitment to the satisfaction of the basic needs of all people, through personal responsibility, mutual aid and governmental action.
- An expanded concept of human welfare, expressed through an accounting system which gives value to social and ecological factors as well as to output and employment.
- A concomitant awareness of the social, ecological and ethical implications of economic activity, resulting in a determination that the benefits of such activity be justly distributed and its costs be borne by the activity concerned.
- An emphasis placed on the process of production and exchange, as well as on the ownership of their means and on the product itself: as in concepts like good work, co-operation and appropriate technology.
- Increased local economic self-reliance, recognising different levels of locality, both through increased use of local resources to satisfy local needs and through a reorientation of trade.
- An understanding that much human activity essential to human well-being, such as reproduction, home-making and child-rearing, is carried out, and is better carried out, in a non-monetary economy. Those engaged in such activity nearly

should not be excluded from the recognition status and rewards accorded by society to productive work.

- An insistence on intergenerational equity, so that future generations have at least as good economic prospects as the present one.

Many of these features already exist to some extent in contemporary economics, although often only in embryonic form, and they are nearly everywhere dominated by opposite economic characteristics.

Basic needs are not universally met, increasing human welfare is widely equated with growth in output, which remains the overwhelming objective of economic policy. There is much economic discrimination, unjust distribution and externalisation of costs, economic processes are generally at the mercy of prices and profits, economic activity is being increasingly internationalised with the destruction of any local rationale, the non-monetary economy is routinely ignored – and the natural environment persists in its spiral of decline, the clearest example of the short term ruling supreme.

We all know these things, and that they are as much political as economic problems. They can only be solved by appropriate economic theory and policies allied to political will.

### ***Basic needs***

This is not the place for a detailed discussion of needs, wants and satisfiers, but two underlying points must be made about the approached in the Living Economy to this complex subject.

The first is that people's basic needs are best defined by people themselves. The second is that people should then be enabled as far as possible to satisfy those needs by their own endeavours.

### ***Wealth and welfare***

The near-universal use of Gross National Product as a welfare indicator and, even worse, the domination of economic policy by the indiscriminate pursuit of economic growth, are at the root of many of the negative, irrational and counter-productive outcomes that so abound in today's global economy.

Environmental destruction, skewed income distribution, the disruption of subsistence and craft-based economics – these are just



some of the common results of seeking growth without having answered – or even asked – the all-important questions: growth of what? Who for? And at what cost?

As Sen puts it: “I believe the real limitations of development economics arose...in the insufficient recognition that economic growth was no more than a means to some other objectives...The process of economic development can be seen as a process of expanding the capabilities of people”.

Sen need not have confined himself to criticising only development economics in this regard, for the whole discipline has a growth-oriented bias.

Yet it is obvious, and many other economists have stressed, that in the real world, wealth and welfare are not mere functions of per capita income, or even just of income and employment. Leisure, working conditions, income distribution, environment, health, safety of the future – all these factors in addition can be and have been modelled economically to produce a guide to the performance of the economy that dissolves money fetishism and gets to grips with human reality.

It is a sign of the immaturity of most present economic assessment that such an expanded framework lies for the most part unused, while governments almost without exception persist with a simple-minded preoccupation with ‘output’ and ‘jobs’.

### ***Means as ends***

It was Schumacher’s insight that how we work determines to a great extent the sort of human we become.

Yet the boundless possibilities of modern technical change remain crudely fettered to the demand for greater labour productivity ignoring the nature of the economic processes which shape human lives.

Good work in co-operative structures with appropriate technologies: this is the process of human development which, along with the provision of goods and services, is the very purpose of production.

### ***Local control***

Self-reliance is essentially about self-determination. Without economic self-determination, human groups from villages to nations are

dependent, vulnerable and insecure, prone to disruption and exploitation.

The transition to self-reliance requires a two-pronged approach. Local resources should be increasingly fashioned to meet local needs. And trade, so long an instrument of dependency-creation, should become in a *volte face* the means to mutual self-reliance, trading partners choosing each other in order to increase their productive potential in under-developed sectors.

Co-operative international economic relationships on the basis of independence and security would then supplant what is for many the anarchic trauma of the international market-place.

Such a strategy could not be expected to go unopposed from those who currently profit from this market-place, mainly the industrial rich and the non-industrial elites, as a country like Nicaragua has found to its cost. But it remains the only way for communities to win the power of choice.

### **Reproduction**

In truth there is little that is not due to reproduction, yet the fiction everywhere persists that the important work of the world is done in factories and offices instead of in homes and fields.

Such a travesty of reality would be laughable if it did not also lead to the most systematic global economic injustice – that perpetrated against the world’s home-makers and child-rearers, overwhelmingly, of course, women.

This is not only injustice. It is also economic nonsense, that plays havoc even with the neoclassical allocative mechanisms of incentives and rewards, to pay at least well – if at all – those who are the very foundation of the economy and society. It is, then, no surprise that there is much social disintegration. The wonder is that there is not more widespread social collapse.

The policy which, above all others, encapsulates the commitment in the Living Economy to satisfying basic needs, to social justice and to recognition of household work is the social dividend: the payment to all citizens of an unconditional basic income sufficient to abolish poverty.

In industrial countries like the UK, such a proposal has been widely canvassed and researched, winning the support of such economists as Nobel Laureate James Meade and London Business School professor Charles Handy.

In a different form the concept can be, and has been, applied to poorer, non-industrial countries of which Sri Lanka is probably the best example. Amartya Sen and Paul Ikenberry have clearly described how the comprehensive programme there of food subsidies, health care and education represent a governmental commitment to a minimum social entitlement which has yielded a performance on social indicators such as life-expectancy, infant mortality, literacy and fertility – far higher than its relatively low per capita income would have led one to expect.

### ***Sustainable development***

Nothing better illustrates the essential environmental irresponsibility of today's economy than Global 2000's in 1979, and that of the Brundtland Commission.

There is no mystery about the steps that need to be taken to improve this perilous situation. Rich countries, which use some 70 per cent of the world's resources for a quarter of its people, must use fewer of them through a mixture of more efficient use and a redistribution of economic power to poorer countries.

Poorer countries must find ways of meeting their people's needs without destroying their resource base. And all countries should work vigorously for stabilisation of the human population with the least possible increase over present numbers.

### ***Mechanisms***

Even this sketch of the general policy directions which would be necessary to establish and promote the main characteristics of the Living Economy would be incomplete without some discussion of the mechanisms through which this policy would be implemented.

The advantages and drawbacks of the two chief allocative mechanisms in current use – the market and state planning and intervention – are in the main well-documented and understood, although they are often obscured by ideology.

A third such mechanism which is starting to be important and which is likely to play a very significant part in the Living Economy is that of local economic planning, either by local government alone or through a framework of local public-private consultation and activity.

As for the market and central planning, they too have a major

role, but with some fundamental shifts in emphasis and scope.

For example, the state will need vigorously to tackle two of the greatest failings in today's market economies which are seriously reducing the efficient operation of their 'invisible hands'.

The first is the massive and increasing concentration of producer power. Market after market, even at the global level, is dominated by a few producers, flying in the face of all received economic wisdom about the costs of monopoly and oligopoly.

The national labour monopolies represented by trade unions pale into insignificance as market imperfections compared to the spreading transnational corporate empires.

The second failing is the lack of information which consumers have about the vast majority of products. If hardwood goods were clearly labelled with their tropical forest of origin and the damage caused by their felling – if aerosols were as clearly linked on their can with their destruction of the ozone layer as they are in scientific laboratories – most consumers would not wish to buy these products.

Those that did would face a price clearly augmented by further state action to ensure that it reflected the goods' social as well as production costs.

Markets require perfect information and perfect competition to be decentralised, efficient allocators and conservers of resources. Paradoxically, in the present situation it will take concerted state action to realise these benefits.

This improved market framework will facilitate the emergence of a new breed of 'conscious' consumers, informed and motivated to ensure that their spending and investment yields benefits in the social, ecological and ethical, as well as the economic, spheres of life.

The interactions between these dimensions are far too complex and diverse to be regulated in detail by any level of government. But individuals appropriately organised and informed in a responsive market can pursue these goals, as is currently being proved daily by Japan's Seikatsu Club Consumers' Co-operative, which concentrates the consumer power of some half-a-million people in just this way.

These then are the mechanisms through which policy will be directed: a competitive, informed market, sensitive to the full implications of economic life, a state strong enough to enforce the conditions for such a market and to remedy its inevitable shortcomings in such areas as distribution, social costs and the provision of public goods – and a local planning network able to match local needs and resources with a view to developing the necessary diversity and flexibility for local self-reliance.

It is a framework that goes to the very heart of present economic problems.

### ***Building the economy***

Even this brief outline of the Living Economy clearly indicates the degree of international, social, political and economic change that will be necessary to turn it into what Marx called the dominant mode of production. The question then remains as to how this degree of change is to be brought about.

The first sobering answer is that there is no guarantee that it will be. While there is no shortage of internal contradictions in late 20<sup>th</sup> century world industrialism, there seems to be no comforting reason through historical inevitability or anything else why these contradictions should necessarily have a benign resolution, rather than resulting in the social, environmental or financial collapse that seem increasingly likely. Contemplating such a denouement is, however, a recipe for paralysis rather than proaction.

But there can be no doubt about the change in recent years in public awareness of many of the issues reviewed here, especially, perhaps, those related to the environment.

Moreover, environmental questions are increasingly being linked to issues of the economy and social justice, at the policy level.

There is far to go to the pass of sustainability, to be sure, but it is at least arguable that current awareness is now sufficient for its organisation to be a worthwhile enterprise.

As the above example indicates, organisation for social change tends to be through two distinct channels. One channel seeks to implement change through the political process, either directly through the contest of elections or indirectly through lobbying and campaigning pressure.

The other channel seeks to implement the change directly, by embodying it in the everyday lives and activities of the people who share the awareness which the movement for change represents.

The channels are not mutually exclusive and both are necessary for the movement to become firmly established. But, in the early days at least, it may be worth asking which channel is likely to lead most surely to transformation. The evidence seems to point to that of direct implementation.

One of Marx's most basic insights was that a necessary condition for political power was economic power. Socialism, of course, was

founded on the labour-power of a class which was exploited but was nevertheless the very motor of industrial capitalism.

The Living Economy has no comparable class base from which it can draw strength. But even if this were not so, and power through the political process seemed imminently possible, it is close to inconceivable that the sort of economy described here could be legislated into existence, prior to the successful establishment of large-scale initiatives to demonstrate the feasibility of its approach.

In this context, the organisation of conscious consumer-power, as with the Seikatsu Club, represents one way of focusing economic power to demonstrate the viability and vigour of the Living Economy, while at the same time giving a sound economic foundation to the political thrust for the new economic order it implies.

It would be faintly ironic if it was consumer-power that was destined to transform the over-consumptionist consumer-societies of the industrial world, before they finally destroyed their social and environmental resource base. Faintly ironic but not impossible.

From Paul Ekins, 'Mapping out a living economy', *New Economics*, Summer 1988.



**1987**

## **Guy Dauncey**

The year 1987 was a tough one for NEF. It ran an expert seminar and rally on urban renewal – the second series of Brixton riots in 1985 had kept the inner cities issue at the forefront of people’s minds. It ran a rally for conservation and development, seminars on the Brundtland Report and local economic development, and sent a delegation to the G7 summit in Venice.

It also gained a new director, the energy consultant John Hatfield. It launched a quarterly magazine, *New Economics*, which was to publish continuously until 1998, but it also ran into financial difficulties and had to shut down its operations temporarily while they could be resolved.

But 1987 was also the year of the October stock market crash – the familiar end of a 13-year bull market. One of the books which was published in response, and attracted new support for NEF was Guy Dauncey’s *After the Crash: The Emergence of the Rainbow Economy*. Guy was also a key speaker at the NEF Urban Renewal Rally. His ten policies – including local banks, local investment and future search – prefigured many of the areas of NEF activity in the following decade.

### ***Ten policies for urban regeneration***

This list of policies was presented to the TOES 1987 Rally for Urban Renewal.

- 1 Bring parish council into city life, giving these councils the power and the resources to set up effective local initiatives.
- 2 Establish frameworks of action, with the necessary legal powers, to enable the new parish councils to take action on economic, housing, environmental, social, educational and planning issues.
- 3 Give them the training and the resources to run Community Futures workshops, enabling communities to develop visions



and to undertake collective actions to bring about the future they want for themselves.

- 4 Give them training and resources to be able to pursue major development initiatives, reflecting local needs and wishes, in competition with major private sector developments such as shopping centres and office blocks.
- 5 Change the laws governing the establishment of local banks and the trusteeship of pension funds to allow local people to invest their money in local development initiatives.
- 6 Develop action-learning methods in schools to allow young people to develop skills of enterprise, initiative and co-operative action in practical ways while they learn.
- 7 Allocate resources to link schools, colleges and other institutions of further education into learning networks, to maximise the amount of learning and training taking place locally, and to apply the brainpower and research-power of local people to the economic and social problems of the community.
- 8 Establish community-based support systems for the local economy, giving support to local businesses and co-operatives in every area of need, from start-up and training to marketing, future forecasting and policy development. The models for this type of development exist in scattered form from Halifax to St Helens and from Cleveland to Hammersmith, but need to be drawn together in an integrated way.
- 9 Through partnership between central and local government, business, labour and the voluntary and community sectors, bring in detailed packages of integrated employment, training and support measure to allow unemployed people to obtain whatever they need to develop their skills and their lives in positive ways, and to provide a guarantee that no-one need ever be out of work for more than 12 months.
- 10 Give secure long-term funding and training to enable the voluntary sector to develop initiatives to tackle such issues as drug abuse, alcoholism, loneliness, and the host of other personal and social problems which are concentrated in the inner city.

From Guy Dauncey, 'Ten policies for urban regeneration', *New Economics*, Autumn 1987. Guy is author of *After the Crash: The emergence of the rainbow economy* (Greenprint/Merlin, 1988/1996), *Earthfuture: Stories from a sustainable world* (New Society, Canada,

1999) and *Stormy Weather: 101 solutions to global climate change*, (New Society, 2001). He lives in Victoria, British Columbia. His website is [www.earthfuture.com](http://www.earthfuture.com)



**1988**

## **Ranchor Prime**

By 1988, NEF was back on its feet again. It had an office in Wentworth Street in London's East End, the street where Jack the Ripper had claimed his first victim exactly a century before – and little changed since then. Downstairs, the hum of machinery in what might as well have been a third world sweat shop gave an added urgency to the proceedings. It had a researcher in Victor Anderson, now a Green member of the Greater London Assembly. It also had an administrator (Danyal Sattar). It would be four years before a new director would be recruited.

TOES/North America held a parallel summit at the G7 in Toronto, and the idea of New Economics was clearly becoming an international ambition.

One of the key projects launched that year was a reflection of the continuing NEF theme that ethics and spirituality deserved a place in economics. This was known as 'Economics and the Great World Religions', funded by the Worldwide Fund for Nature, and managed by the International Consultancy on Religion, Education and Culture (ICOREC), then based in Manchester Polytechnic.

The idea was to contact senior members of the great world faiths in the UK and collect their economic teachings, which turned out to be remarkably similar and – despite their centuries-old origins – very relevant.

The project culminated in a conference the following year, attended by 300 people, and bringing together two groups – religious people and economists – who had very rarely met before. The findings were eventually published by WWF in a study book for schools called *A Wealth of Faiths* in 1992, but this is how ICOREC researcher Ranchor Prime explained the project.

### ***Religious economics***

Did you know that the Jewish religion, in the custom called *Sh'mit-tach*, requires that the land be allowed to lie fallow, throughout the

community, for one year out of seven?

Or that the charging of monetary interest of any kind is strictly forbidden by Islamic law? Or that for Sikhs the gurdwara is not only a place of worship, but the vital centre of the community welfare network which provides free meal service for all-comers?

These are all examples taken from some of the economic alternatives, each based upon a unique religious world-view, which were trodden under by western capitalism in its scramble for world dominance. Perhaps the time has now come to take a long and sober look at some of these rejected models and see what they can teach us.

As part of its effort to influence the trends of the future world order of economics, 'a New Economics by the Year 2000', NEF has commissioned a radical appraisal of the major world religions to examine these teaching on economics.

The project has been entrusted to ICOREC, the International Consultancy on Religion, Education and Culture, who will spend the next 15 months preparing educational material to include a classroom book, a teacher's hand-book, wall-charts and radio and TV programmes.

The first stage of the work, involving extensive interviews with orthodox representatives of mainstream religions, has already produced some interesting results.

As an example here is a story told to us by Ajit Singh of the London Namdhari Sikh community, which clearly demonstrates the important link which can exist between religion and economics.

Shortly before Indian independence in 1947, a Sikh leader named Satguru Partap Singh collected money from his followers who were living in what is now Pakistan. After adding a considerable sum of his own, he bought a large stretch of barren land in the state of Haryana in modern India.

At the time of partition large numbers of Hindus, Sikhs and Muslims were made homeless overnight and forced to move across the borders dividing the newly independent states of India and Pakistan. Many of them had nothing except three pieces of cloth.

He invited thousands of Sikh refugees to join him and work together on his land, feeding and clothing them in exchange. They developed a lifestyle in which they sought to express the Sikh ideals of honest hard work, sharing of resources and caring in the community, all based around regular worship in the gurdwara.

After five or ten years the land was transformed by their work into the most fertile tract in Haryana. It was then divided up among the

occupants, with Partap Singh keeping only a small portion for himself. Now the land supports a united and self-sufficient community spread over 20 villages.

This story illustrates how a religious philosophy, in this case the Sikh teaching of honest work and sharing, can become the basis for an economic order.

It is hoped that the work will lead on to an extended project to develop the theme of new economics in the light of today's multi-cultural and multi-faith societies.

The choice of school children as the immediate target for this material is for two reasons. First, it was felt that the process of preparing the material to the level required for the classroom would be a valuable exercise: if the message can be made understandable for children then it should be possible to communicate it to anyone.

Secondly, of course, it is they who stand to inherit the present world economic chaos and it is with them that the future lies.

From Ranchor Das, 'Religious economics', *New Economics*, Summer 1988.



**1989**

## **John Davis**

The G7 summit and TOES moved to Paris in 1989, the anniversary of the French Revolution. By the end of the year, a series of revolutions of almost equal significance had taken place across eastern Europe – followed shortly afterwards by an army of extreme free market economists, who resolutely failed to get to grips with tackling their very special economic circumstances.

At NEF, a five-year programme of work was launched, along with an appeal organised by NEF trustee Duncan Smith. Researchers like Tim Crabtree and Andy Roberts joined the payroll, and the future of the organisation was beginning to look a little more secure.

The following passage is by John Davis, an industrial engineer who has been involved in the development of NEF from the very start. John had been involved in promoting the development of the first hydrogen fuel cell car in the world in the 1960s. The passage is a vision of the way that a sustainable economy could work – with raw materials from what used to be waste – was to prefigure many of the central concerns of NEF in the following decade, and is now almost mainstream. It also provided a curtain-raiser to the work of NEF researcher Tim Cooper, whose influential report *Beyond Recycling*, was published by NEF in 1994.

### ***Towards a wasteless society***

During this century the world population will have increased from two billion to more than six billion, with almost all of the growth having occurred in the non-industrialised world.

Over those years a decreasing proportion of the global population has been able to enjoy the benefits of industrialisation. As population continues to grow, and important mineral and fossil energy resources become increasingly scarce and expensive, it is likely that an even smaller proportion will be able to enjoy the benefits unless the minority in the industrialised countries greatly reduce their levels of consumption.



An equitable distribution of consumption of non-renewable resources depends, amongst other things, on a change of direction in technological and engineering development in the years ahead.

Hitherto engineers have created the processes and products for a 'throw away' society. The challenge that now faces the profession is to create a new engineering that will offer the hope of the same civilising benefits to the world's people with only a fraction of the per capita consumption of non-renewable resources.

There are basically two ways of tackling this challenge. First we should do things with greater efficiency and thereby reduce waste.

Second, we should do things differently, using renewable resources in place of non-renewables. This also would reduce waste of scarce fossil fuels and raw materials.

Substitution of mass-produced short life goods for long life articles, sustained by maintenance, repair and reconditioning, was based on the notion that high volume, capital intensive factory production must be intrinsically more financially economical by producing low first cost products.

This notion assumes that low first cost is to be equated with the most financially economical, whereas 'lowest cost per annum of useful life' is actually the most economical. The notion is also reinforced by the rapid rate of price depreciation of manufactured goods, particularly in the early years of life, and also the belief that labour intensive repair services must be less productive than capital intensive factory production.

For many manufactured durables, costs per annum of long life designs may be lower than their short life equivalents. And for a great many products an extension of useful life by sound maintenance, repair and reconditioning is less per annum of use than the cost per annum of initial manufacture.

Thus, for many artefacts, a move towards durable designs and increased maintenance, repair and reconditioning will be financially advantageous, making such goods more widely accessible. This is an important observation because there is a widespread misconception that such a move would be economically counterproductive.

With no improvement in design, average useful life of many products may be extended by this means to between 20 and 30 years – instead of 10 years.

Even higher average life may be obtained in many products by designing for greater intrinsic durability and repairability. This would usually increase first cost but would significantly reduce the cost per

annum of useful life.

By a combination of improved design and greater maintenance, repair and reconditioning, it is conceivable that the average useful life of many common manufactured goods may be increased by a factor of between three and five to between 30 and 50 years.

Repair and reconditioning often necessitate replacement of worn or damaged components by new reconditioned parts. Consequently there is a small additional material input involved. Nevertheless the quantity is so small that a three- to five- fold increase in useful life means that consumption of material of construction would be reduced by almost the same factor.

Further savings in virgin raw materials can be made by a major extension of the present very low level of material recycling.

There remain further savings in non-renewable, and composites of renewables combined with non-renewables.

Another category is the replacement of non-renewable resources that are becoming increasingly scarce by non-renewables that are still very abundant – like ceramics replacing high grade alloy metals. There is already a considerable trend in many applications for metals to be substituted by plastics and rubbers.

However, these synthetics are mostly made from non-renewable fossil fuel feedstocks – at present mostly oil – which could be replaced by feedstocks derived from plant or animal sources, like surplus animal fats and agricultural waste organic matter.

Other examples of doing things differently, as a result of technological developments which offer substantial opportunities of the savings in materials, are miniaturisation and the use of electronic communication in place of paper and transportation.

There are major consequences of such a fundamental change in the direction of development. Manufacturing industry would greatly contract. For example, the capacity of British Steel might fall from 15m tonnes to about 3m tonnes. New car production might further contract from one million to 200,000, and new car imports would be greatly reduced. There would be a massive reduction of environmental pollution and industrial transport.

As maintenance, repair, reconditioning and recycling substituted for manufacture, local communities would become more productively diverse, creating through their own work more than half the useful life of their durable goods.

What is outlined above indicates that it may be technically feasible to enjoy the civilising benefits of industrialisation at a per capita level of material consumption little more than a fifth to a tenth of the

existing level. Although it will take much more than engineering to achieve that objective, engineers can at least describe in some detail how it may be engineered.

By adopting a 'conserving' development such as has been described, the whole world population would be able to enjoy the benefits of industrialisation without increasing overall material consumption above the present level. Of course this is not suggesting that all people should adopt the same style of life. It merely means that the range of choice would be increased for a majority of the world population.

Roughly one third of energy use in industrialised countries is consumed by industry – excluding electricity generation and distribution – between two thirds and three quarters of which is used by the material-producing industries, and only one third to one quarter is used in the manufacture of finished goods.

A reduction in consumption of materials, such as is described above, would reduce industrial energy consumption proportionately. Roughly eight per cent of energy is taken in industrial and commercial transport: this also would be reduced proportionately.

The most wasteful sectors in Britain, and in some other countries, are transport, electricity and domestic.

## ***Transport***

Road transport now dominates both the passenger and freight modes in most industrialised countries, with fuel consumption being roughly equally divided between the two. In both modes, thermal efficiency of engines is low, and only modest improvements can be expected, except by the replacement of petrol engines by diesels in motor cars. However, major saving in fuel are forecast for cars in mile per gallon as a result of other car design changes, taking fuel performance up towards 100mpg.

However, even at this level, two thirds or more is wasted in cooling and exhaust losses. To minimise these losses will require a radical change from internal combustion engines to electric propulsion, with power obtained from stationary CHP generating plant with waste heat utilisation and thermal efficiencies three times those of present engines.

The motor car and freight truck will increasingly need to be complemented by electric railways and a new generation trams and metro systems for commuter and in town traffic – all of these pow-

ered by CHP systems to minimise waste.

The return of wind power to some types of ship, integrated with diesel engines, offers big fuel savings in sea transport to enlarge the savings arising from the reduction in the transport of manufactured goods and minerals.

Major savings in air transport fuel consumption are likely to arise from a reduction in business air travel. These savings could come from a reduction of international trading in goods and minerals, as well as from the substitution of electronic means of communication for personal travel. Added to these savings are striking increases in fuel tonne miles per gallon that are being achieved in aviation in response to fuel price increases.

### ***Electricity***

Almost three out of every four tonnes of coal burned are wasted. A substantial part of these losses can be put to good use in CHP plants of all sizes for space and water or steam heating, which accounts for 60 per cent of the delivered energy demand in Britain.

### ***Domestic***

Space heating, hot water, cooking and electrical appliances account for about 30 per cent of total primary energy consumption in Britain, with space heating contributing a major share of the total. There are now numerous examples of energy efficient buildings in which consumption is reduced by a factor of about four.

With the rapid development in solar cells, the prospect of a house which does not use electricity for heating purposes, powered by its own battery of solar cells and storage batteries, independent of the mains supply, may not be far away.

The recently published report of the World Resource Institute *End Use Global Energy Product* (EUGEB) indicates a technical feasibility of halving industrialised countries' per capita energy consumption by the year 2020.

It also indicates the technical possibility of a West European standard of living being achieved in third world countries with little more than one third of the feasible European consumption for 2020. The implication that may be deduced is that over a longer time interval energy consumption in European countries might fall further to,

say, one third or one quarter of present levels.

An engineering contribution is a vitally important part of any such move. The profession would be failing in its duty if it did not respond energetically to the challenge of the President of the EEC in 1979 when he said of energy use and supply: 'It is now certain that if we do not change our ways whilst there is still time...our society will risk dislocation and eventual collapse.'

This article is no more than an oversimplified and faint sketch of what may become technically possible in moving towards a less wasteful society. It can provide a backdrop for a more rigorous investigation of the opportunities.

From John Davis, 'Towards a wasteless society', *New Economics*, Spring 1989.

**1990**

## **James Robertson**

NEF's second chair took over just before Christmas 1989: Perry Walker was then an economist working for the John Lewis Partnership and would later emerge as co-ordinator of NEF's Centre for Participation. He arrived at a time with a heightened sense of crisis – the looming economic collapse in eastern Europe, the debt crisis and the realisation that the new Millennium was just a decade away.

NEF had been focussing on this prospect as part of James Robertson's project 'A New Economics by the year 2000', which culminated in the publication of his book *Future Wealth* in 1990 – like so many of these events, launched during a storm. He took his ideas to TOES in Houston that year, in parallel with the G7 summit, which had become mainstream enough to boast a telephone link with Jesse Jackson. Should TOES in the UK try that kind of rapprochement with a senior politician, he asked? It was a key question – the extent to which NEF should work with the mainstream – that would become increasingly central.

As one of NEF's co-founders, James was a central figure to the whole movement. He was a former Cabinet Office civil servant – the author of Harold Macmillan's 'Winds of Change' speech – a former director of the Inter-Bank Research organisation, and the author of the book that had done almost as much as *Small is Beautiful* to pave the way for NEF and TOES, *The Sane Alternative*.

This is how he introduced *Future Wealth* to NEF supporters.

### ***Future wealth***

My first aim in *Future Wealth* was to outline, as clearly and comprehensively as I could within a manageable compass, the shape of a New Economic order for the 21<sup>st</sup> century.

That new order, or new development path, will be based on three key principles:

- It will be systematically enabling for people.

- It will be systematically conserving for resources and environment.
- It will treat the world's economy as a decentralised multi-level one-world system with autonomous but interdependent parts at all levels.

In each of these respects, economic practice and thought will have to differ fundamentally from the 'wealth-of-nations' era of the last 200 years.

My second aim was to suggest how the change to this new path of development can be made as smoothly and quickly as possible. The process cannot be completed by the year 2000. But we can step up its momentum as the magic date comes nearer.

The book puts forward a New Economics agenda for the 1990s, with a number of key dates including two main staging-points in 1992 and 1994/5. 1992 will be the 500<sup>th</sup> anniversary of Columbus' so-called discovery of America.

That marked the beginning of half a millennium of European destruction and domination of other peoples and cultures. It led to the present worldwide supremacy of conventional economic institutions and values, and that now has to end.

As the 20<sup>th</sup> anniversary of the 1972 Stockholm conference on the environment, 1992 must also quicken progress towards environmentally-sustainable economies. And, particularly for Europe as – under the single market – even more economic power is transferred to multinational business and centralised bureaucracy, 1992 must trigger a new backlash towards small-is-beautiful.

Taking all this together, the target for 1992 is to make New Economics issues a daily topic for worldwide public discussion, as environment issues are today.

1994/5 will mark the 300<sup>th</sup> anniversary of the beginning of modern money and finance – the founding of the Bank of England as the world's first central bank. It will be the 50<sup>th</sup> anniversary of Bretton Woods – and thus of the IMF, World Bank, and today's international economic institutions. And it will be the 50<sup>th</sup> anniversary of the United Nations.

Our targets for 1994/5 should thus include reforming the functions of money in economic life, restructuring national and international economic institutions for an enabling and conserving economy, and proposing new forms of international governance for the third millennium.

A further aim of *Future Wealth* was to show what kind of process

the transition to a New Economic order will be. Also how a range of different types of activity – including research and reconceptualisation – will contribute to it, how these will cross-link and support one another, which activities are to do with achieving changes directly now, and which are to do with getting more far-reaching changes on to the mainstream agenda. Another aim is to show how different kinds of people can support one another's efforts.

The biggest challenge is that the New Economics must be both practical and visionary. We need to put forward practical approaches to today's most pressing economic problems. But we must also show that these are stepping-stones to a new and better tomorrow.

*Future Wealth* outlines practical ways forward for persons and households, for local and national economies, for the international economy, for economic organisations of all kinds, for the working of the money system, for the distribution of incomes and capital, for taxation, and for many aspects of the real economy such as energy, transport, health, food and farming. And it aims to show that these are mutually supporting elements in a new development path.

But we also need a wider vision.

In the period of history now ending, the economic sphere declared itself independent of other aspects of our lives. The resulting fragmentation has shaped economic theory. It has encouraged, even compelled, most people to ignore wider social, environmental and moral considerations in their economic lives.

And now these conventional modes of economic practice and thought are engulfing everything else and threatening to destroy it. The time has come to reintegrate them with other aspects life, and subordinate them to human, environmental and moral values.

Thus reintegration of economics in the lives of whole people calls for a new, shared vision of the purpose and meaning of life.

That vision cannot come from socialism or communism in their conventional forms, nor from conventional market-based capitalism, nor from the conventional compromise between them known as the 'mixed economy'.

It cannot come from nationalism. Nor, though the great reservoir of experience, insight and wisdom gathered in the world's faiths will surely nourish it, is the new shared vision likely to come from organised religion in its existing forms.

It will be created afresh out of the lives and predicaments of people today, out of our contemporary experience and understanding of ourselves, the world and the cosmos.

I believe it will be developmental vision: it will comprehend per-



son and society, planet and universe, as aspects of evolution – including the evolution of consciousness and morality.

What gives value and meaning to our lives will be the part we play in this process: developing our human potential, helping other people to do the same, taking part in the development our society and the worldwide human community, and consciously participating in the evolution of the cosmos as a whole.

By helping to evolve a New Economics based on developmental values of that kind – a new paradigm of development – we shall help to create a wider new vision for humanity in the third millennium. A fitting goal for the year 2000.

However, to end on a more immediate note, a large part of the impetus behind *Future Wealth* came from involvement in The Other Economic Summit and NEF. Britain, where TOES began in 1984, will be hosting TOES again in 1991.

Let us make it the occasion for a great nationwide leap forward in New Economic awareness. For us in this country, that is the first task for the 1990s. We need to start tackling it now.

From James Robertson, 'Step by step to a new kind of wealth', *New Economics*, Spring 1990.

**1991**

## **Victor Anderson, David Boyle**

It was now the regulation seven years since the G7 had last met in Britain – not to mention a new prime minister – and the seven powerful men who claimed to run the world were due back in London in 1991. TOES 1991 was held at Methodist Central Hall, right next to the limousines of the world leaders at the Queen Elizabeth II Conference Centre next door. Organised by Andrew Simms, it managed to attract many of the key figures in the New Economics: Herman Daly, Wangari Maathai of Kenya's Greenbelt Movement, Mohammad Yunus of the Bangladeshi Grameen Bank, and the Indian environment minister Maneka Gandhi.

The high spot was the 'Up the Summit' benefit evening at the Hackney Empire, with comedian Ben Elton topping the bill.

NEF's biggest intellectual contribution to the debate was the publication of the *World Report*, building on Victor Anderson's work on alternative economic indicators, which was an attempt to rank the world's nations according to indicators that actually meant something – like tropical deforestation, child mortality or female illiteracy.

The report gave up-to-date figures for the indicators set out by Victor in his book *Alternative Economic Indicators*, the culmination of NEF's indicators work. The following year, the Rio Earth Summit would make alternative indicators absolutely mainstream. This is how Victor introduced the report.

Below it is the report that *New Economics* editor David Boyle wrote about the whole event.

### ***Real indicators***

If past annual summits are anything to go by, the Group of Seven leaders will endorse smug assessments of world economic prospects in which the largest problems are seen as being balance of payments imbalances and inflation.

Though they may express some concern at the failure of third world nations to pay off their debts, and they may even endorse the

phrase 'sustainable development', it is unlikely that they will view mass poverty in many third world countries as a failure of the world economy, or see the continuing rise in carbon dioxide emissions as a sign of economic inefficiency.

This is because they operate with a very restricted definition of what 'the economy' is. They see it in money terms, not in terms of its real effects on human beings and the environment, and they assess it through money indicators such as Gross National Product, inflation rates, and balance of payments figures, not in terms of rainforest destruction or infant mortality.

If we look at 'real indicators' – rather than money indicators – of human well-being and environmental conditions, a very different picture emerges of the state of the world.

A second source of bias in G7 assessments is the restricted and unrepresentative membership of the Group of Seven itself. What happens to the G7 does not show what is happening to the whole world.

In a new G7 of the seven countries with the largest populations, only two countries from the present Seven would be included – USA and Japan. The other five would be replaced by China, India, USSR, Indonesia and Brazil.

In place of the G7's 'world picture', it is possible to construct – from data published by UN agencies and other international organisations – a more balanced picture of what is going on. The following are the key points of such a picture:

### ***The buts...***

Real improvements are taking place in the quality of human life.

Most social indicators for most countries show improvements – and in that sense, 'real development' is taking place.

- There are important exceptions to this general pattern. For example, there has been an alarming increase since the G7 leaders last met in London in the Infant Mortality Rate in India. Famine is affecting large parts of Africa.
- Despite real improvements, there is still a terrible waste of human life and potential taking place all the time. According to UNICEF, 40,000 child deaths take place each day 'from ordinary malnutrition and disease'. Over 1,500,000,000 people do not have safe water, and the same number lack basic

- health care.
- An enormous gap remains between the world's poor South and rich North. For example, the average Infant Mortality Rate for the seven largest third world countries in 1989 was over ten times the average for the group of Seven countries.
- Improvements in human quality of life are often bought at the cost of a deterioration in the environment. This deterioration now itself threatens the quality of life – for example, pollution threatens health, soil erosion threatens future food supply – and so 'development' may prove historically to be only temporary.

### ***Take into account...***

In addition to their usual agenda of exchange rates, interest rates, and growth rates, the G7 leaders should consider the following indicators about 'The Other Seven' – the seven largest 'third world' countries in terms of population.

*Adult female illiteracy.* Estimates for 1990. Bangladesh 78%, China 38%, India 66%, Indonesia 32%, Brazil 20%, Nigeria 61%, Pakistan 79%. Overall figure for third world countries in 1985: 51%.

*People lacking access to safe drinking water,* 1988. Bangladesh 54% China 28% India 43% Indonesia 54% Brazil 5% Nigeria 54% Pakistan 55%.

*Babies and children who dies before they reach the age of five* (1989). These are percentages (not rates per thousand). Bangladesh 18%, China 4%, India 14%, Indonesia 10%, Brazil 8%, Nigeria 17%, Pakistan 16%.

*Tropical deforestation,* average rate per year during the 1980s (estimates vary: these are World Resources Institute figures). Bangladesh 0.9%, India 2.3%, Indonesia 0.8%, Brazil 1.8%, Nigeria 2.7%, Pakistan 0.4%.

The Group of Seven should switch the focus of their attention away from the world of high finance, and over to the real economy of human beings and natural resources. And they should not presume to 'co-ordinate the world economy' without consulting representa-

tives of the majority of the world's people.

From Victor Anderson, 'Real indicators', *New Economics*, Summer 1991.

### ***Carry on up the summit***

'We seem to have created a traffic jam and called it prosperity,' said the Bishop of Durham – an NEF patron – at Sunday's TOES press conference.

And how right he was. The 'progress' of the G7 leaders in London was characterised by a never-ending jam of coaches, taxis and limousines, which strangled the road outside TOES at Methodist Central Hall.

No TOES can ever have been held closer to its rival, within yards of the G7 summit's press centre at the Queen Elizabeth 2 conference centre.

Every time the seven leaders popped in for a press conference, past the army of policemen, TV cameras and traffic wardens, they would have been faced with the TOES upside down globe banner across the road.

The original banner used Ralph Steadman's gesturing finger, but was banned by Central Hall's administrators because it was 'indecent'.

Probably the food and drink was better at the G7 summit – the haul there included half a ton of beef and 40 gallons of baby squid eaten by the 3,000 journalists from all over the world. At TOES, the solutions were also fresh, but the people were more varied.

There were food co-op enthusiasts from Tokyo, electrical engineers from Vienna, MPs from Sweden, green dollar activists, experts on basic income, credit unions and all the panoply of New Economics from around the World.

Unfortunately Mikhail Gorbachev aspired to the seven grey men across the road. 'He has been begging to be allowed into the club which he apparently thinks membership of is the highest any country can aspire to,' said Jonathon Porritt.

Even these warnings to Gorbachev from TOES press releases were to no avail. Foreign television crews, on the other hand, enthusiastically reported TOES. Camera crews – notably from Germany and Canada – were in evidence most of the time. Spurred on by

powerful coffee, the TOES press office vied for the record of how many people you can fit in a broom-cupboard.

The British press were less enlightened. They were clearly searching for an alternative angle to the summit – how this took them no further than long reports about the G7 wives and their dress-sense. The horror of being thought ‘fringe’ runs very deep in the average UK hack.

But Radio 4’s Today programme regularly included TOES speakers, and the Bishop of Durham was accorded the TOES equivalent of star status. He gave a series of interviews about the economic conundrums which G7 was failing to solve.

‘God knows what to do about it,’ said Bishop Jenkins, modestly. ‘Well he may know, but he doesn’t always let on.’

Luckily he had let on to a number of TOES participants. Others were more interested in discussing the practicalities. ‘We can teach most effectively by doing and not merely by preaching,’ said Maneka Gandhi, the former Indian environment minister.

She later joined other speakers outside the G7 summit – among a throng of tourists, camera crews and irritated taxi drivers – while an orchestral quartet played the *Ritual Fire Dance*, followed by *Singing in the Rain*. They called themselves the World Bank Chamber Orchestra.

Meanwhile TOES co-ordinator Andrew Simms struggled with the wind to complete the effect, with a banner flapping from Central Hall reading ‘LEADERS FIDDLE WHILE WORLD BURNS’.

And then on the TOES open-topped bus tour of Docklands and the East End, and a glimpse of the results of the old economics – the derelict land and the hams which Gorby would not see.

By the time the bus reached the other end of the Embankment, the umbrellas were up and the trippers were dashing downstairs out of the rain – including TOES North America delegate Phil Hyde, clutching his laptop computer.

Other visitors had looked askance at the surroundings in Hackney, where Ben Elton led the cast at the Hackney Empire for the Up the Summit benefit.

‘It looked bad enough in the daytime. I don’t think I want to go there in the evening,’ said one visitor from New York.

By the end of the week, the old economics had once again failed to deliver. For all the hype, the bright TV lights, and the big black cars, the world’s urgent problems remained unaddressed.

The G7 leaders gave a mere 15 minutes to discussion of the environment. ‘The G7 is a kind of priesthood,’ said development econo-

mist Susan George on the final day of TOES. 'We are dealing with a kind of religion. If these people were corporate executives they would have been thrown out by their shareholders.'

The G7 religion was even apparent across the road at TOES. Visitors who braved the exhaust fumes there were greeted with notices instructing 'QUIET EXAMS IN PROGRSS'.

Ironically enough, the alternative summit was sharing Central Hall with a couple of hundred accountancy students sitting their mock exams. The novices of the 'religion' were being given the Jesuit treatment.

TOES itself was a strange mixture of the condemnatory, the apocalyptic, the revolutionary and the hopeful. Condemnations were pretty regular. The West is 'creating literate hooligans in a permanent state of existential unrest', said the Moslem member of a TOES panel from the world religions, speaking at St James, Piccadilly.

The apocalyptic had a religions tone as well. 'Debt has grown like a wall which will fall on you,' said the German alternative money expert Margrit Kennedy, quoting the Book of Isaiah. A circulation fee for money could stamp out interest payments before it is too late, she said. It was a revolutionary proposal.

Even more revolutionary was the Sarawak rainforest campaigner Bruno Mansur, whose photo on the top of a nearby lamp-post was published in the following day's newspapers. He was arrested after breaking into John Major's press conference – only hours before he was due to speak at the TOES final rally.

The hope? It lay in the alternative financial system – what Pat Conaty of the Birmingham Settlement called 'the emerging network of non-profit financial institutions'.

It could still fit neatly into the back pocket of General Motors, but it is growing and we must nurture it, said *Living Economy* editor Paul Ekins.

'We have the job of de-linking from the economy we despise,' he told the final rally. 'We need to think of ourselves as economic agents. We produce, we consume and we invest, and if we do these things through the conventional structure, then it is likely that we are part of the problem.'

From David Boyle, 'Carry on up the summit', *New Economics*, Autumn 1991.

**1992**

## **Nick Robins**

It was the year of the Rio Earth Summit, the year when ‘sustainability’ became for the first time such a used and misused word. It was the year when NEF suffered from the heavy hands of the lawyers at the *Financial Times* for producing a newspaper about debt on pink paper called *Financial Crimes*.

It was the year when TOES moved, along with the G7, to Munich – where local police swooped on a meeting of TOES organisers and arrested them all. They later arrested all 400 people at a TOES protest rally outside the G7. It was that kind of event.

And it was the year that NEF appointed its third director, Ed Mayo – then campaigns director at the World Development Movement – who was to preside over the organisations enormous expansion during the 1990s.

But it was also the year that TOES burst out of the G7. TOES/NZ took place in New Zealand in 1992, and spread to TOES/Denmark and TOES/South the following year. And when the European Summit set up shop in Edinburgh in December 1992, TOES was reborn there as The Other *European* Summit. To coincide with the event, NEF published a report by IIED researcher Nick Robins – now an adviser to a City firm of ethical investors – called *Reinventing Europe*. It was a New Economics critique of the European Union and the directions it could take. These are the options Nick set out.

## **Europe 2000**

The Maastricht Treaty is only one of a multitude of factors that will shape the development of the Community over the rest of the decade.

This section will attempt to outline possible development paths for Europe until the end of the century as a way of clarifying the changes in direction that may need to be taken in the next few years.

When attempting to plot out possible futures for Europe, both imagination and analysis are required. Fiction can come to the aid of



fact. In the *Seacoast of Bohemia*, 2006, the German writer Hans Magnus Enzensberger playfully speculates about a possible Europe that could emerge in the early years of the next century.

At one point, the narrator tracks down the reclusive former Finnish President of the European Commission, who gives a compelling vision of the flaws in the traditional model of European integration: 'For decades we pursued a chimera called European unity. The idea originated at a time when the whole world still believed in the technological progress, in growth and rationalisation... The unavoidable consequence was that Brussels became a giant supra-national hydrocephalus. In their glass boxes the commissions, committees and subcommittees played an absurd billion-dollar bridge game.'

The Finn concludes 'inevitably the whole Brussels folly had to end in massive bankruptcy'. This picture of a failure of European integration is useful not as a predication of likely events, but as a stimulus to thought and reflection.

### ***Cassandra or Polyanna?***

Building alternative scenarios for Europe has been something of a growth industry in recent years. The UK-based Federal Trust, in its 1991 *Europe's Future: Four Scenarios*, constructed a grid of driving forces (such as technological change and democratic aspirations) and criteria (such as EC membership and economic dynamics) to construct four contrasting scenarios:

- A multi-tier Europe, a wide and strong Europe.
- A weak but wide Europe.
- A disintegrating Europe.

Norwegian researcher Johann Galtung, in an address to the Political Affairs Committee of the European Parliament, described two possible scenarios for Europe – 'Cassandra or Polyanna' – based on his view of the possible threats to peace following the end of the cold war.

In the Cassandra scenario, the basic threat to security derives from Western economic superiority as it absorbs the post-Communist East, while Polyanna is based on a vision of greater balance between East and West, and the development of pan-European solutions. Pessimistically, Galtung believes that Cassandra is likely to

be a more useful guide to the future.

As in previous moments of crisis, there are a number of ways that the community could develop. It could forge ahead with union, or sink back into national certainties. It could respond to criticism and reform itself, or retreat inwards into insignificance.

The three scenarios presented here – Business as Usual, Backlash and The Other Europe – are derived from exploring the ramifications of a single key theme across the four dimensions of European integration discussed above – international, political, economic and environmental.

They are presented as a fictional snapshot, describing the forces and events that shaped the different outcome. For the Business as Usual scenario, the key theme is the continuing attempt to achieve the goals of Maastricht.

The other two scenarios mark discontinuities with Maastricht. Backlash is driven by the forces of disintegration that have emerged in recent years. It portrays a retreat into national and racial certainties. The Other Europe gives a picture of how the critique presented in this paper could be realised in practice.

### ***Business as usual***

The President breathed a sigh of relief. She had survived the first days of the new millennium without a crisis. The single currency had stood its grounds against the festive speculation of the money markets. But as she started to weigh up the balance of her five years in office as head of the European Commission, her happiness waned.

It had been a close run thing. Although the Maastricht Treaty was ratified, the Commission and the member states were cautious about implementing it. Back in 1992, the supporters of European union had been knocked off balance by the feeling of public rejection, and had almost given way to the forces of resurgent nationalism mounting in every member state.

Indeed, some felt that the historic 'Edinburgh Compromise' had given away too much in its statement on subsidiarity. For the next two years the 'Unionists' laid low, taking comfort in the historical importance of their mission, and the ability of the Community to bounce back from earlier setbacks. As for the Commission, it adopted a policy of self-restraint – no more laws on French Camembert or English 'crisps'.

A number of factors contributed to the cautious revival of the

Union project. There was a slow and fitful increase in economic growth following the conclusion of the GATT Uruguay Round in 1993, which restored some calm to the recession-frazzled member states.

Added to this, however, was the growing realisation that the internal contradictions and imbalances within the Maastricht framework required another leap forward. Negotiations for new treaty changes started in June 1995, a year earlier than scheduled. The more obvious flaws of the Maastricht agreement were also reformed.

The pillar system was scrapped, and the unitary Community system reinstalled. The European Parliament, whose legitimacy had been somewhat increased in the election of June 1994 secured greater scope for initiating legislative proposals. It called for a reflation programme and a campaign against racial violence, but the member states neither had the money or the desire for such ambitious projects.

Fiscal policy remained subject to unanimous approval in the Council of Ministers, blocking agreement on the proposed carbon/energy tax. Indeed, the Community had to suffer the humiliation of watching the introduction in the USA of the comprehensive Federal Eco-Tax Act, aimed at cutting the budget deficit and improving the efficiency of American industry.

The European Economic Area had also proved to be the temporary arrangement that many had predicted. Austria, Finland, Sweden and Switzerland joined the Community in 1995, and some basic housekeeping reforms were made to maintain some semblance of momentum towards Union.

The formal application for membership from Czecho-Slovakia, Hungary and Poland was made in late 1994, prompting the negotiation of an interim package of trade reforms, the entry of the three currencies into the ERM and limited access to EC structural funds.

The pace of change in these countries still, however, continued to outstrip the policy response in the EC, and as the decade progressed there were increasing complaints that Western desire for monetary union was being bought at the expense of the East.

When she took over on January 1 1995, wishing Jacques her best wishes in his ultimately unsuccessful attempt at the French Presidency, the Community was thus just coming out of one of its cyclical slow movements.

She took a 'safety first' approach and focused on managing the shocks caused by the market opening. The continued shadowing of the Maastricht EMU convergence criteria meant that unemployment

stayed resolutely above 10 percent into late in the decade. Poverty too increased remorselessly, leading to what some commentators called the 'Los Angelesisation of Europe'.

The President did try to press ahead with a strengthened environmental policy. The more damaging aspects of the structural funds were tamed, after a number of 'eco-scandals' in Spain. But congestion in some areas had reached crisis point, prompting a new wave of environmental activism.

The Community found itself unable to meet its commitments to control greenhouse emissions, let alone cut them in line with new scientific demands. By the time of the second Earth Summit held in 1997, the new national accounting system showed that despite some progress, the Community was actually further from sustainability than at the time of the first Earth Summit in 1992.

When the heads of state met in 1996 to decide on whether to move to a single currency in 1997, it was clear that the situation was premature. But they 'reaffirmed their commitment to intensify the convergence programme in order to meet the goal of a single currency by the end of the decade.'

Some hoped that the single currency programme would serve the same role as the single market programme did in the late 1980s to boost political and business confidence. To some extent, this hope was borne out. The markets approved, but there was still substantial speculative pressure on the weaker members of the ERM because of continuing belief that there would be a final realignment before the single currency was adopted.

The central banks borrowed and intervened heavily in the currency markets, while the finance ministers actually tightened the Maastricht convergence criteria as a sign of the unswerving commitment to their goal. Eventually, by the end of 1999, the institutional systems were in place to make the final move to the single currency.

Looking back the President regretted the costs. The Community had effectively ignored the countries of eastern and central Europe in its pursuit of union, and had turned its back on a large minority of its own citizens.

The European elections of 1999 returned an angry and divided parliament, split three-ways between more radical factions, a resurgent right and a ruling centrist bloc. It was not the united Europe that she had hoped to bequeath to her successor.

## **Backlash**

The failure to ratify Maastricht had been the start of the downward spiral. For some it had been a liberating experience, a humbling of the political elite. The right-wing in Britain and France were particularly exultant. The French President had stepped down soon afterwards, a broken man, leaving only the embattled German Chancellor and Commission President to fight on for European Union. The markets were savage in their revenge. The Franco-German monetary entente limped on, with the Benelux currencies sheltering behind.

Europe *à la carte* was taking shape. Around a common core of the single market and the increasingly inadequate social environmental 'flanking' policies, there was a growth of multilateral treaties covering most aspects of Maastricht, but rarely agreed to by the full 12 member states.

The 'opt out' policy pioneered by the UK had become the norm. The important question now was whether anyone wanted to 'opt in'.

Given the turmoil in the Community, there was no surprise when Sweden withdrew its membership application in 1993. Indeed, considerable concern was expressed by the Mediterranean countries when Austria and Switzerland became full members the following year.

The French in particular became particularly hysterical about the prospect of a 'greater German' bloc, but lacking any alternative strategy the government continued to merge its economy with that of its eastern neighbour.

The irrevocable breakdown of the Uruguay Round had exacerbated the already poor economic situation, sending business confidence and investment expenditure plummeting. No lasting policy could be found to reduce the pressures from the financial markets on EC currencies.

There were half-hearted attempts to reintroduce capital controls, but the finance lobby was still sufficiently powerful to prevent any measure that would really limit their ability to play one currency off against another.

National governments that tried to pump-prime their economies through deficit financing and industrial subsidies saw first their currencies undermined and second the legality of the programmes challenged by the European Court of Justice for breach of competition laws.

Greece and Portugal quickly became semi-detached members of the Community, as a new form of donor fatigue in Germany and

the UK cut into regional aid programmes.

In the face of impotence at the national level, and fragmentation at the European, regional autonomy and national independence movements thrived.

The dam broke in 1995 when a Scottish Declaration of Independence was widely supported after the failure of the general election to bring a change in government; troops were deployed on the streets of Glasgow and Edinburgh.

The tax strike of 1996 in northern Italy also took on European proportions when the referendum for the secession of Lombardy, Pietmont and Tuscany, Venetia was carried narrowly. Henceforth, Italy had two representatives in Community meetings, and the former Czecho-Slovak President Vaclav Havel was appointed as intermediary for the peaceful separation of the two halves of Italy.

The situation in central and Eastern Europe had deteriorated severely. The war in Yugoslavia had spilled over into bitter battles with Albania over Kosovo and with Greece over Macedonia. Reluctantly, France and the UK sent peacekeeping forces to the region. Soon, these had reached 50,000 troops with little sign of peace emerging.

A new worry was the growing number of border incidents between Hungary and Romania. Romania's nationalist government tried to divert attention from its appalling economic mismanagement by launching a settlement programme in the ethnic Magyar border region.

The Hungarian government backed their 'compatriots' with arms and money, and themselves launched a campaign to annex the Magyar area of southern Slovakia, which was threatened by the completion of the Gabcikvov hydro-electric dam. Although an uneasy truce was achieved in both cases, there was little optimism about it lasting.

The southern flank of Europe became the centre of concern in the middle of the decade when the old Algerian regime finally gave way to the fundamentalists.

With the UN-brokered peace deal in Western Sahara demanding a strong EC presence, and with continuing concern about illegal immigration, France and Britain found themselves reversing the troop cuts of the early 1990s, and the redeployment within a new NATO strategy along the northern shores of the Mediterranean. In turn, Mahgreb counties of North Africa also began to place their won troops on their southern borders to deal with the continuing influx from the Sahel.

But it was not just military insecurity that loomed. After a major chemical accident in Bohemia had sent poisoned water flowing north through Germany, a pan-European conference on ecological security was called in 1997, which concluded that 'ecological insecurity is the greatest threat to Europe'.

The conclusions of the conference, including the call for a Europe-wide phase out of hazardous production processes and products by the end of the decade met a cynical response from governments, and only resulted in a copy-cat series of trade restrictions on certain hazardous products. Global obligations to protect the atmosphere were forgotten as Europe strove to keep its economies going.

By 1998, the Community seemed further away from its goal of European Union than ever before in its history. A crucial breaking point was reached when supporters of the union project won backing from the French and German governments for a 'go-it-alone' union of like-minded states.

But what the supporters of the 'narrow union' failed to see was that this strategy was simply the mirror image of the 'opt-out' mentality. The closer the Austria, Benelux, France, Germany and Switzerland – and 'Lombardy' – came toward union, the more that the rest of the Community recoiled, viewing the projects as a conspiracy to exclude them.

There was talk of a rival North European Free Trade Association on the model of EFTA, but this came to nothing.

In the absence of any initiative from the discredited European Commission, the negotiations for the Central European Union were accomplished at Potsdam in 1999. A single currency, the Euro-mark, was adopted, along with common economic, social, environmental and foreign policies. Common tariffs were also introduced, breaking the spine of the old EC.

In a new Franco-German understanding, the French government renounced monetary sovereignty in return for the upper hand in the embryo European army. A new union secretariat was established in Strasbourg, while the Central Bank was based in Bonn.

In Brussels, severe cutbacks shook the Commission as the members of the Central European Union withdrew financial support. Observers noted that it risked the same fate as the long forgotten United Nations Economic Commission on Europe.

By 2000, the storm that had risked destroying decades of careful efforts at closer European integration appeared to have spent itself. The question for the future was how relations with the broken

economies on the periphery would develop, and when, if ever, would the dream of a truly united Europe be realised.

### ***The Other Europe***

The German Chancellor like to refer to the crisis of 1992 as the 'reawakening of European citizens from the big sleep of bureaucracy'.

He saw it as a natural and wholly positive reaction by the citizens of the Community to the incomprehensibility of the 'Europe' that their governments were building on their behalf.

From that moment on, the debate on the future of the EC could no longer be confined to a narrow elite. Maastricht was grudgingly ratified in late 1993, but with the words 'Never Again' ringing in every politician's ears.

For the first time after decades of silence, the parliaments of Europe began to fight back to regain control over the choice of direction for the Community. On their own initiative, a parliamentary 'assizes' which brought together representatives of the national and European parliaments was held in October 1993, and adopted a 'New Europe' programme calling for the early negotiation of a federal constitution guaranteeing human, social and environmental rights and a pan-European recovery plan.

For the first time, the run-up to the European Parliament elections in June 1994 became a subject of attention. The main focus of the campaign was the continuing gulf between government policies committed to 'honour Maastricht' and the increasing social and economic dislocation this caused.

From Eastern Europe, the news worsened as the restructuring plans began to falter. Western investment had stagnated and financial support was frozen. The Chancellor remembered that 1994 was the year when immigration from the East finally overwhelmed Germany's absorption capacity.

It was in a situation of institutional deadlock that the new European Parliament met in the autumn of 1994 threatening that it would not give its approval to the new Commission to be sworn in for the following year if it did not adopt its 'New Europe' programme.

The situation was transformed when the news came through of the collapse of the British government. After two and half years of bitter internal strife over Europe, the ruling Conservative party finally split over the 'New Europe' programme, between its nationalist



and European factions.

The resultant elections brought a broad-based coalition to power for the first time since the Second World War, but neither faction of the old government was included. While the first priority of the new coalition government was to revive the economy, it was clear that this could not be done through a traditional boost to public spending and a relaxation of monetary policy. The country was too tied to Europe and the global economy for that.

Furthermore, new revelations about the Sellafield nuclear plant had seen a revival of environmental concerns. The coalition agreed tough targets for phasing out nuclear energy, improving energy efficiency and waste reduction. It would be clearly impossible to meet these targets through a traditional growth-led recovery.

Finally, Scottish and Welsh parties had a small but influential position in the new government, and had demanded devolved national parliaments with taxing and spending powers as the price for their support.

What linked these local problems to the European crisis was the government's unconditional support for the 'New Europe' programme. A similarly reform-minded coalition had come to power in Germany, and the new Chancellor was determined to build a strong alliance with the new pro-European UK government while the opportunity lasted.

The trilateral negotiations between the Council, the Commission and the European Parliament lasted well into the summer of 1995. The final result was in effect a new treaty. The Maastricht Treaty was effectively superseded by the new federal constitution, which for the first time in the Community gave human needs and ecological sustainability priority over market forces.

A principal consequence of this was the practical redefinition of subsidiarity so as to transfer economic and environmental decisions to the lowest level possible. At the Community level, regional funds were redirected away from infrastructure projects towards skills training and electronic networks to allow 'the maximum exchange of ideas and the minimum movement of mass'.

A new eco-industrial strategy was launched to restructure key sectors, such as autos and chemicals, with the target of producing environmentally-sound products.

The Community also embarked on a large-scale programme to exchange its experience with the countries of eastern and central Europe. The package was funded by the co-ordinated introduction of a currency transaction tax and pans-European energy and trans-

port pricing.

Joint management programmes were also introduced for a number of shared rivers and seas, such as the Baltic, the Black Sea, the Danube, the Rhine and the Vistula. The overall aim was to change the focus of European co-operation from integration to diversity and local solutions within a broad European context of rights and responsibilities.

The action was not limited to Europe. Following the Dutch example, the Community's member states pioneered a new form of 'sustainability contracts' which linked revamped aid programmes with commitments to reduce the burden placed by the European economy on the global environment.

The new round of GATT trade talks finally came to grips with the social and environmental side-effects of unregulated commerce, and led to the introduction of agricultural adjustment programmes in the USA and Europe to simultaneously reduce output subsidies and move to more organic forms of production.

The implementation of the 'New Europe' programme met with considerable resistance, including from the European Court which fought the redefinition of the Community goals to the bitter end.

The eventual goal of European union remained, along with that of a single currency. But even this had to be revised in 1997 after the introduction of Welsh and Scottish currencies.

Studies of small countries with their own currencies had demonstrated a number of benefits over dependent regions. This example was copied by nations and across Europe, including Catalonia and the Basque country in Spain, Aquitaine and Brittany in France and three of the new German Laender.

But there were fears that this tendency would promote further financial instability and unnecessary fragmentation and so the European Monetary System was reformed into a multi-tiered system, served by a common rather than a single currency.

The approach of the year 2000 focused minds, and in every capital advisers were sent to dust down earlier plans for European renewal to mark the event. Over the summer break of 1998, the Chancellor read as much as he could about the heady days almost ten years earlier when the Berlin Wall had fallen and new possibilities flourished.

The first opportunity for the 'European Community' to have become truly European by welcoming the countries of the East had clearly been missed. It could not be allowed to happen again. At the next European Summit, the Chancellor proposed the negotiation of

an inclusive European Federation.

The last intergovernmental negotiations of the old European Community took just under a year, and by December 1999, the skeleton framework of the new 30-member Federation was in place. A new start for a new millennium...

These three scenarios show the divergent paths that the European Community could take. The people of Europe now need to choose their future.

From Nick Robins, *Reinventing Europe: The Other Europe Report*, NEF, London, 1992.

## Simon Zadek and Richard Evans

“My hunch is that the New Economics has got as far as it can with mere theory,” wrote Paul Ekins in *New Economics* at the end of 1992. And it’s true that the arrival of Simon Zadek as research director in 1993 – later deputy director – marked the start of growing and very practical dialogue with the private sector.

It also meant taking NEF’s work on indicators into new and more practical areas. The Rio Earth Summit had launched the search for sustainability indicators worldwide, and NEF was soon launching its own Centre for Participation under Perry Walker to develop indicators measuring success beyond money that could work for local communities as well as nations.

At the same time, Simon was applying similar ideas to the problem of how you measure the social and ethical ‘success’ of companies. His project studying ‘value-based organisations’ soon grew into the development of social auditing – starting with the fair traders Traidcraft, and moving on to audit the Body Shop and many others.

Social auditing was soon to become a highly lucrative business offered by the big auditors like KPMG. But for the next few years, it was NEF – and its social auditors like Maya Forstater, Claudia Gonella, Adrian Henriquez, John Sabapathy, Sara Murphy and Alison Pilling and Peter Raynard – that hammered out a practical method of doing it.

The first statement of the background, history and methodology of social auditing was published jointly by NEF and Traidcraft in 1993 as *Valuing the Market*, by Simon and Traidcraft xxxxxx Richard Evans. Traidcraft has an explicitly Christian basis for its work, and so – as this passage explains – the forthcoming social audit would need to have a spiritual basis itself. This is how they explained how a social audit works.

### **Social auditing**

The use of indicators in the social audit method wt out here can be

summarised as follows:

Range of Indicators – it is necessary to make use of a range of qualitative and quantitative indicators of performance and associated measurement techniques.

Comparisons – quantitative indicators will be used, in particular, to enable comparisons over time, with other organisations and, where possible social norms relevant to the activities being considered.

Monetary Terms – comparisons will not be either calculated or presented in monetary terms unless the indicator relates directly to financial transactions. Even in these cases, there will be no attempt made to judge the relationship between financial gains or costs to different groups.

Other Quantitative Indicators – quantitative, non-financial indicators will be used at times, such as to summarise the results of attitudinal surveys.

Qualitative Data – qualitative information will be used where appropriate.

No False Conclusion – there will be no attempt made to add-up the various indicators to obtain an overarching conclusion as to the social or ethical dimensions of an organisation's impact or behaviour. There is no such thing as a social 'profit' or 'loss'.

## ***Social audit process***

### *A spiritual approach*

One of the dilemmas inherent in the social audit concept is the structural separation of corporate behaviour from the ethical and spiritual values of individuals involved. At the end of the day, it is individuals who decide corporate strategy and policy and individuals, often the same, who decide on corporate ethical and social objectives and performance.

We need to acknowledge the role of personal, and shared, values and we need to look for the openness to new influences and change which is the necessary condition for the organisation and its stakeholders to learn from the process.

Jesus said, in one of his parables, that we will find his kingdom hidden in unexpected places like treasure buried in a field, and in improbable forms like an inconspicuous mustard seed that makes a bush big enough for birds to nest in. Spirituality, in all religions and

cultures, is a common experience which challenges our certainties and penetrates beyond the outward and organised to the intuitive, the chaotic, the unpredictable and the creative force within. Spirituality might in this sense be seen as the intangible experience of 'the other' that connects us as individuals to the physical reality, to other people and to what we feel but cannot see.

### *Listening and learning*

Discerning the role spirituality plays in an organisation's relations with its stakeholders, and the environment, is a necessary component of social audit. The social audit is to be a learning process for the participants. However, we must be aware that, like the man in the parable who came across the treasure hidden in the field, many people only occasionally discover the spiritual character of their own values and experience.

The aim of the social audit process will be to enable contributors to ask themselves why the relationship between them and the organisation is significant and how that relationship has affected their beliefs and values about themselves and their community.

As far as possible this will be done without specific and obvious questioning and always with a commitment by the auditors to avoid religious or cultural prejudice. The use of the term 'auditors' is probably most appropriate in this part of the process as their role is to hear what people are saying. Furthermore, since it is easier, often, to hear what is inside one's own head, subjects will have the opportunity to comment on, amend or replace the record of the auditor's view with their own.

In the Traidcraft social audit, because of its specifically Christian basis, it would be appropriate, and indeed necessary, to discuss with stakeholders how they see the teachings and life of Jesus Christ reflected in the company's behaviour.

The social audit process is, then, a means of engaging people in the processes of hearing other people's needs and concerns. Hearing is, however, not only the role of the auditors, but also of the audiences of the social audit once it is produced. A social audit is a means of increasing the engagement of stakeholders in learning about and thinking about the processes of ethical behaviour in the market, in whatever capacity they interact with the organisation.

The social audit is an educative tool with a distinctive perspective from the intention of most financial audits. As such, it would be

a positive outcome for stakeholders to be encouraged to engage in the process of resolving complex ethical issues that have no crude objective means of resolution.

### *Validating diverse perspectives*

Financial audits are required to present a 'true and fair view' of the organisation's financial affairs during the relevant period. While there is some scope for different interpretations of the state of affairs, financial audits are relatively straightforward since auditing methods are standardised and the rules of legitimacy in the audit process explicit.

An audit of ethical behaviour and social impact is, however, not so simple. It is true that some 'social impacts' can be subjected to relatively straightforward scrutiny, such as wages and prices, invoice payment lags to producers, and aspects of customer service. Others, however, cannot.

Suppose, for example in the case of Traidcraft, there is a shipment of goods from a producer that proves to be sub-standard, and so of reduced value in the market. The question of what payment should be made or withheld from the producer may be clear from a commercial perspective, but quite unclear from an ethical standpoint. The producer may actually feel that the failure of the product to meet the required standard resulted from mismanagement or an inadequate specification on the part of Traidcraft, although outside of the terms of the commercial contract.

There may be radically different ways of looking at a particular event, ways that are not simply reducible to a common perspective. A key aspect of a social audit is the fact of its being a social composition. One that reflects the reality of diversity that is intrinsic to any living community.

The importance of allowing different perspectives to be voiced through the social audit should not be underestimated. It is the nature of the actual inequities of the market that players will have very different views of different events. To attempt to reach a consensus may seem logical and even admirable, but is often neither of these. There will always be different perspectives, most particularly about those events which concern ethical and social issues. We understand the role of social audit to be to highlight these differences, as well as to reach more definitive positions where possible.

This is of course a radically different approach to financial audits.

One suspects that any accountant who announced at an annual general meeting that: “Some people think you have made a profit, some people think you have made a loss. These are the different views, you decide!” would quickly find herself out of work. However, that is precisely what is proposed for the social audit, at least where the auditing process uncovers such differing viewpoints.

### *Best practice performance*

The preceding discussion has concerned the interrelated issues of: identifying the social and ethical values against which performance is to be judged; deciding what indicators might be used for this purpose and who should define them; and what can or cannot be done legitimately with the results of measuring indicators.

The method we describe is ultimately pragmatic in seeking a blend of qualitative and quantitative indicators, and a range of comparators over time, between organisations, and in relation to social norms, including legal compliance conditions where relevant. The approach highlights the critical role of stakeholders in this process, whilst recognising the value, where relevant, of comparing performance to that of other organisations with, to varying degrees, different stakeholders and interests.

The key role of the aims, interest and views of stakeholders need not be inconsistent with an approach that seeks to identify ‘best practice’ social and ethical behaviour against which any particular organisation’s performance can be judged. In some cases, it will be possible to draw from ‘external’ yardsticks of best practice. The proportion of the workforce who are registered as disabled, for example, can be compared both to recommended norms for UK employers, and to cases of best practice which are available in published forms.

Other yardsticks of ‘best practice’ will be identified during the course of the audit process, as checks are made between the subject organisation’s performance against particular indicators and the performance of other comparable organisations. These developed best practice cases might then provide a basis against which other organisations’ performance might subsequently be judged. In both situations, however, it is important to be clear how the best practice approaches reflect the concerns of one or other of the stakeholder groups.



## *Features of social audit*

We have described a number of features which combine into a distinctive approach to social auditing. These are summarised below:

*Stakeholder Perspectives* – the key role played by stakeholders in defining what performance indicators are to be used, as well as providing views and other information to enable performance to be measured against these indicators.

*Comparative* – the report should offer means of comparing performance with the organisation's objectives and those of key stakeholders, with its performance over time, and in relation to other organisations where this is relevant and possible.

*Comprehensive* – it should, over time, attempt to reflect the impact of all the company's activities on stakeholder groups and the environment, whether this be through total coverage of such activities, or sampling.

*Polyvocal* – it should be based on, and record the views and accounts of, stakeholders themselves, as well as those of the company and the auditors. Thus, the audit does not offer a 'universal' or singular voice, but rather is in itself a social document.

*Spiritual* – the methodology must be open to recognising the role spiritual values play in stakeholders' perceptions and aspirations, and in the management of the life of the organisation.

*Learning* – our understanding is that social audit is an essential tool in a learning organisation, and that its comprehensiveness extends to the potential to increase learning capacity it offers to all stakeholders.

*Regular* – social audit should take place annually, although not all aspects may be covered every year for cost reasons.

*Externally validated* – by independent auditors, who must decide whether the report offers a 'fair and reasonable' picture of the organisation's social impact and ethical behaviour against its objectives and those of its stakeholder groups.

*Disclosure* – the social audit should be made available to all stakeholders, preferable with the statutory financial statements, and in advance of the Annual General Meeting, to which other stakeholders, as well as shareholders, should be invited.

From Section 4 of Simon Zadek and Richard Evans, *Valuing the Market*, NEF/Traidcraft, Newcastle-upon-Tyne, 1993.

**Table 2: Size of market required (in 1969) by a plant of ‘minimum efficient size’.**

<b>Fraction of UK market</b>	<b>Industry</b>
<b>50 – 100%</b>	Aircraft, Electronic data-processing equipment, Steel wide strip rolling, Electric motors, Motor cars, Refrigerators, Washing machines, Turbo generators
<b>20 – 50%</b>	Synthetic fibres (polymer production), Raw steel, Newspapers, Sulphuric acid, Ethylene, Synthetic detergents
<b>10 – 20%</b>	Synthetic fibres (yarn extrusion), Cement, Petroleum refining, Bicycles
<b>1 – 10%</b>	Beer, Warp knitting, Book printing, Cotton spinning and weaving, Bread, Plastic products, Large iron castings
<b>&lt; 1%</b>	Bricks, Machine tools, Small iron castings, Shoes



## Tim Cooper

The tenth anniversary of TOES marked a coincidental surge in interest in NEF's activities. A project by Nic Marks and Tim Jackson of the Stockholm Environment Institute, applied the methodology of Herman Daly and John Cobb to create an Index of Sustainable Economic Welfare for the UK. Compared the GNP, the index showed that Britain's 'sustainable economic welfare' peaked in the mid-1970s and had been declining ever since. It was a major media hit.

Similar projects were being carried out in Germany and the USA – by the San Francisco-based organisation Redefining Progress – with similar results. It was a fascinating demonstration of what happened if your success index was able to subtract the bad things – pollution or resource depletion – rather than adding everything as if it was endlessly good.

But the publication of NEF researcher Tim Cooper's research about built-in obsolescence trumped the index. His report *Beyond Recycling* was launched in front of senior industrialists at the CBI, and featured even on the Radio 1 *Breakfast Show* and in a major feature in the *Daily Mirror*, under the headline 'Scandal of why this German washing machine lasts twice as long as yours'. The German manufacturer in question, Miele, responded by reprinting the article in full-page advertisements across the rest of the media.

The immediate result was that Environment Secretary John Gummer called in NEF for a meeting. But there have been long-term effects too, as Tim's hierarchy – Reduction, Reuse and Repair, and only then Recycle – has become mainstream policy in most sane local authorities ever since. This is the introduction to his report.

### ***Beyond recycling***

Recycling is widely considered to be positive for the environment. People instinctively believe that re-using materials from products which might otherwise end up in a landfill site must be environmentally beneficial. The idea that recycling is intrinsically 'green' is promoted widely – by politicians, local authorities, manufacturers, jour-

nalists and, indeed, most environmental practice.

The fact that recycling allows raw materials to be used repeatedly might appear to suggest that no environmental damage need be caused by ever-increasing consumption in industrial countries. Yet the recycling process, like all physical activities, affects the environment. Energy is consumed as waste products are collected, sorted, cleaned and separated into their constituent materials. Pollution is caused, both as a by-product of this energy consumption and, more directly, by materials reclamation processes. The subsequent manufacture and distribution of products made from recycled materials also has an impact on the environment.

The focus in the recycling debate has, so far, been on packaging rather than products. This new culture of recycling is now being extended, however, and a trend is emerging towards the promotion of products such as cars, washing machines and electronic goods as recyclable. There is a prospect that products which malfunction will increasingly be recycled rather than repaired.

This report takes a hard, critical look at recycling. Its focus is on consumer durables – defined here as vehicles, kitchen appliances, audio-visual equipment and other domestic electrical products, furniture and floor coverings, hardware and garden tools. It questions whether recycling is the best environmental solution to the increasing volume of discarded consumer durables. Is it, perhaps, diverting attention from more radical responses? Rather than increasing society's capacity to absorb waste, should the priority instead be to reduce the flow of energy and materials through the economy (its 'throughput') by encouraging longer lasting products?

Such questions point to a need to consider an environmental strategy which goes beyond recycling. The relatively low position of recycling in the widely used 'hierarchy of waste management options', which prioritises different measures for dealing with waste according to environmental impact, is significant. As the reduction of waste by encouraging longer lasting products is at the top of this hierarchy, the current priority given to recycling needs to be questioned.

The report thus analyses recyclability in relation to durability. Such a comparison is useful because choices have to be made in public policy, design and marketing. Public sector bodies have to decide where to concentrate their limited resources, while in the private sector designing products for recyclability and durability is likely to push up costs, forcing companies to decide what the market will bear.

In addition, the use of particular materials or methods of construction to achieve durability may make recycling impossible or more difficult.

*The aim of this report, therefore, is to:*

- 1 Describe recycling and durability in the context of the debate on sustainable development and, specifically, the throughput of energy and raw materials in modern industrial economies.
- 2 Consider the relative attention being given to recycling and increasing product life by government and industry.
- 3 Identify and explain the position in the waste management hierarchy of reduction, reuse and recycling.
- 4 Analyse the complementarities and conflicts between recyclability and durability in areas such as design, marketing strategy and public policy.
- 5 Make practical recommendations for action to encourage the manufacture and sale of longer lasting products.

At the outset, it is necessary to state two caveats. First, this is not a treatise against recycling. Once products no longer function and cannot be repaired, any component parts that can be reused or reconditioned should be separated and those that cannot should (where appropriate) be recycled. In other words, there are benefits from operating at different levels of the waste hierarchy at different stages during a product's life cycle.

Second, the report makes occasional generalisations, although it is recognised, of course, that environmental impacts vary according to the type of product and geographical location.

The issues raised in this report have a wide-ranging significance. Public sector decision makers, for example, are required to assess the relative environmental impact of various waste prevention, minimisation and management policies. They have to evaluate different responses to environmental problems caused by the substantial volume of waste generated in industrial societies.

There is also a traditional macro-economic concern that resources be allocated efficiently: neither Treasury policy nor policies on waste should inadvertently encourage manufacturers, local authorities or consumers to squander finite reserves of energy and raw materials. Understanding the relationship between recycling and durability will help to inform decisions on waste-related policies such as recycling credits, a landfill levy, and other fiscal reforms and spending options.

Likewise, the issues are important to the private sector. Manufacturers are increasingly confronted with a need to make decisions based on the total environmental impact of their products, from 'cradle to grave' (i.e. from extraction of raw materials to final disposal). This need has arisen in part through pressure to substantiate promotional claims made in attempts to attract the 'green consumer', who increasingly demands firm evidence of a product's environmental performance.

The main reason, however, is the prospect of legislation to make industry responsible for products at the end of their lives. Proposed 'take-back' legislation in Germany will soon require manufacturers of vehicles and electronic goods to accept responsibility for them once discarded. Similar legislation is likely to be introduced throughout the European Union within two or three years.

Ultimately, the debate on recyclability and durability demands consideration of more fundamental issues relating to the shape and direction of our economy. The goal of sustainable development is accepted by politicians of all parties. Making a bold assumption that economic and environmental policy decisions will, to some degree, be integrated, two alternative future scenarios may be identified.

In one, economic output is maximised, but more and more of the ever-increasing output is devoted to clearing up environmental damage created in the process of achieving it. Recycling is encouraged on the basis that the repeated use of finite reserves of energy and raw materials will help to sustain a fast 'throughput' in the economy into the long term. Products are recycled rather than repaired. No ultimate limits to consumption are accepted.

In the other, the economy is managed on the basis that the aim is to maximise people's well-being and improve the environment while reducing this throughput, the flow of energy and raw materials. As products are designed for durability the level of manufacturing output is, relatively low; it may even fall. On the other hand, repair and reconditioning work is far more common. Recycling takes place only after products, or their components, no longer function.

Such a dichotomy exposes the controversial territory which underlies this debate. This report thus starts by considering the broader economic and environmental context, before examining in detail the extent to which the second scenario is realistic.

From Tim Cooper, *Beyond Recycling: The longer life option*, NEF, London, 1994. Full text at <http://www.shu.ac.uk/schools/slm/Beyond%20Recycling.pdf>

**1995**

## **Perry Walker**

“Some groups scent that a few of their demands have been edging off the streets and into the mainstream agenda of international politics,” wrote the *Financial Times* at the G7 summit in Halifax in 1995. And TOES was there again, in the shape of the People’s Summit, or P7.

Their facilities were very different. The G7 conference centre in the city’s Maritime Museum had special lavatories fitted for the world’s leaders so luxuriant that the building had to stay closed for two weeks afterwards for staff training. But the days of Munich when TOES organisers were arrested were long gone. By Naples in 1993, they had been given a special guard of honour by the communist Mayor of Naples.

Back in London, NEF was taking the debate about local indicators into participation and alternative ways of taking control of the future of local places. Perry Walker, soon to be co-ordinator of NEF’s Centre for Participation, brought the idea of Future Search over from the USA. He used similar methods in a series of events planned to carve out a different kind of future for the London Borough of Sutton.

Future Search was to be one of a whole range of participation tools listed in NEF’s top-selling publications, *Community Works!* and *Participation Works!* – but that was all in the future. This is how Perry introduced the idea of taking control of the future as an economic activity.

### ***Turning dreams into concrete reality***

Next year, NEF will be launching a project to support communities that want to create and to realise a vision of their future. We will set up an alternative ‘futures market’ so that ideas and experience can be swapped. We intend that this includes awards for the most inspiring visions. This article explains why we are doing so.

Community visions started in the USA in cities like Chattanooga, Tennessee. In 1969, Chattanooga was labelled ‘the dirtiest city in the



country'. By the early 1980s unemployment was rising and school rolls were falling.

In 1984, the city launched Vision 2000. As one participant put it: 'People had been angry and cynical because they thought someone else was making all the decisions. But when we all got in the same room, we realised that no-one was making the decisions. No-one was creating a vision for the city. And we found that our vision did matter and that it could happen.'

They agreed on 40 goals for the year 2000. By 1993 they had made substantial progress with most of them.

The first was to build a 'family violence shelter'. This was not a new idea. Lots of people wanted to do it. The visioning simply put them in touch with each other.

In all, they reckoned that they had launched 223 projects, created 1,380 jobs and triggered investment of three-quarters of a billion dollars. They were so pleased that they held ReVision 2000 and set themselves new goals.

Chattanooga is now one of the cleanest cities in the USA. When they couldn't find zero-emission buses to buy, they set up their own factory to make them. The President's Task Force on Sustainable Development met there earlier this year. One of the Task Force advisors told me that she saw visioning spreading across the US.

Another sign of success is the extent to which the processes of visioning and participation have become institutionalised. In Chattanooga, again, the city and county schools are being merged. To plan the merger, local government is going through a participative visioning process.

Monty Bruell, a leading light in Chattanooga Venture, which organised Vision 2000 and ReVision, had the day I met him noticed that a pavement was still up after several days.

His first thought was: 'They'll be marching on City Hall.' His second thought was: 'Ten years ago, no-one would have bothered City Hall because they wouldn't have believed that they could have an impact.'

Communities in Britain are increasingly creating their own visions.

First was Edinburgh Vision. Although initially top-down, it included a women's vision for Edinburgh developed by a college course on wider opportunities for women, and an even at the Festival that attracted 400 people. Its achievements included an Edinburgh Business Initiative on AIDS and a Child Friendly Edinburgh Campaign.

The advent of Local Agenda 21 as the result of the 1992 Rio Earth Summit has been an enormous boost, as has the impending millennium.

Linking both, for example, is the Greenwich Sustainable Millennium Project, led by NEF supporter Dave Sharman.

There will be enormous attention on Greenwich if it is chosen as the site of the millennium exhibition and celebrations. This project aims to involve a wide range of local residents and associations to produce a vision of a sustainable Greenwich.

Many communities are now trying to peep over the fence, to see the other side of the year 2000 – what a sustainable lifestyle might look like.

A conference to create a vision for Gloucestershire that I attended pointed the way. A message was read out from their twin community in Kisumu in Kenya: ‘Congratulations to our partners in childbirth. You too are the mothers of the third millennium.’ I gulped.

The meaning of that wonderful phrase, ‘mothers of the third millennium’, was once explained by John F Kennedy. ‘Those who anticipate the future’, he said, ‘are empowered to create it.’

Our greatest hope of a sustainable future lies not in technology, not in social reform, not in politics, but in our imagination.

Two further quotes help to make the point. The report of the Commission on Social Justice quoted Chris Webb, principal of Handsworth College, Birmingham, as saying: ‘We need to invent a future.’

More movingly – if less grammatically – the musical South Pacific asked: ‘You got to have a dream or how you going to have a dream come true?’

Jules Verne’s science fiction illustrates the power of imagination. It led to pioneering work on the submarine, on aviation and on rocket dynamics. He conceived of possibilities long before they were feasible: his conceptions then inspired scientists to work on them and so make them feasible. We need to be absolutely clear that ‘anticipate’ does not mean ‘predict’. Prediction is impossible.

A future search conference brings together a large number – ideally 64 – of diverse people over two to two and a half days. The diversity should ensure that the whole community is represented. They start by exploring their past and their present, to create a feeling of common ground. This gives them energy to move on to create their desired future and to plan to achieve it.

NEF held a training workshop on June 1995 with the two leading American proponents of future search, Marvin Weisbord and Sandra Janoff. As a result, there should be a rapidly growing body of experience.

Hitchin and Sutton have already run the first community-based

future search conferences to be held in Britain, with more to follow.

Sutton's future search conference brought together 50 citizens and policy-makers from a Friday evening to Sunday afternoon. The event produced terrific energy. As many as 27 actions were proposed. Action plans were developed for the first ten of these during the conference.

They ranged from developing a strong business community to developing a register of holistic health practitioners, and from caring for the elderly in their homes to setting up a telecottages.

The plans vary in detail, but several include not only actions but a detailed timetable, not only the barriers they will face by ways of overcoming them.

The role of visioning in creating a more sustainable – or at least less unsustainable – future is about overcoming resistance to change. This usually involved three factors: dissatisfaction with the current situation, vision and first steps. All three need to be present.

The vision of a different future is usually the hardest of the three, and depends on our dreams. Where are our dreams to come from? That question contains its own answer: no-one can dream our dreams for us. But we can share our dreams, be inspired by those of others and agree our collective dream.

Can we agree a shared dream? Yes, we can. Will it make a difference? Yes, it will. That's why we are determined to give communities in Britain the tools to create visions as powerful as Chattanooga's.

Some of the tools are already in place. The participative planning techniques Planning for Real, for instance, allows people to visualise, through models, what they would like the physical appearance of their community to be.

Visualising the non-physical is a still greater challenge. How for instance do we visualise a world where taxes on resources use and pollution have replaced income taxes and VAT? Here are some of the things that can be done:

- Continue to promote future search conferences as a way for people to come together to create their ideal future.
- Hold surveys of futurists.
- Use multimedia to show how daily life in a community would change under different futures.
- Hold scenario workshops to explore those different futures.
- Distribute videos of communities that have successful creat-

- ed and realised a vision.
- Promote techniques like visualisation that provide creative ways to explore the future.

When the white government was still in charge in South Africa, 30 people from across the political spectrum met for a weekend and told their story of how they saw the future for their country. Many of them were sworn enemies, but the emphasis on the future and what they had in common, rather than their differences, produced an incredible constructive result.

The stories were boiled down to four scenarios, called 'ostrich', 'lame duck', 'Icarus' and 'the flight of the flamingos'. This provided a language with which to talk about the future. Preachers in the pulpit talked of the need to avoid the lame duck scenario.

The scenarios make the requirements for a desirable outcome clearer. In this case, only 'the flight of the flamingos' is desirable. The exercise spelled out what was necessary to avoid the other three scenarios.

Visualisation was used at one of Gloucester's vision conferences. People were taken to the year 2030 by imaginary time machine and asked what they saw. This involved relaxation and visualisation in small groups.

Then there is the 'Theatre of the Oppressed', developed by a Brazilian theatre director called Augusto Boal. It provides a way for people to express their vision without words. By avoiding language, it makes thought visible. For instance, two people can use the same word – say 'revolution' – but mean very different things by it.

One technique is for the actors to act out a situation. They then repeat it, but this time, if a member of the audience sees a better way to handle the situation they come up to the stage, replace the actress or actor concerned, and act out their idea.

One performance concerned exploitation in a small fish meal factory in a Peruvian port. One man intervened and suggested throwing a bomb. The other actors resisted: it would destroy the factory and with it their work. Disagreeing, the man decided to throw the bomb himself. He then realised that he did not know how to make a bomb, or even how to throw it.

Several years ago, I was challenged during a training course to express my life's purpose in three words. Ridiculous, I thought, but I managed it: 'Narrating the future' was how it came out.

So I am more than a little committed to this project. If it excited

you too, let me know.

From Perry Walker, 'Turning dreams into concrete reality', *New Economics*, Summer 1995.

## Richard Douthwaite

It was the heady days of road protest – Twyford Downs had given way to the Newbury bypass and Swampy. Even the alternative summit in Lyons – rival alternative summits now – were showing signs of the street protests that would emerge as ‘anti-globalisation’ at the end of the decade. Protesters knew what they were against, but what should they be for?

These were transition days for NEF, gearing itself up to provide some answers. By the following year, NEF would be the best-known social auditor in the UK – and beyond. By then, the government would have backed NEF’s Ethical Trading Initiative, an attempt to bring government, retailers and trade unions around the table to hammer out some kind of solution to the sweatshop problem. The debt campaign Jubilee 2000, again chaired by NEF, was beginning to take shape.

But one of the major preparations going on was for NEF’s *Community Works!* pamphlet – listing all the local initiatives that could be taken to revitalise neighbourhoods.

As part of the same project, NEF and Green Books jointly published a book that would prove particularly influential on a new generation of localisation activists. *Short Circuit*, by the pioneering green economist Richard Douthwaite, has stayed in print ever since. Here he describes the fate of the small island of Inishbofin.

### ***Short circuit***

On a bright day in June a small passenger ferry, the *Dun Aengus*, lies among an assortment of small fishing boats beside Cleggan pier in the west of Ireland. Shortly before its two o’clock sailing to Inishbofin, an island with a permanent population of about 180 people five miles off the coast, one of the crew walks down the pier carrying a tray marked Pat the Baker containing French sticks and plain white buns.

He places it on a hatch cover on the open deck. Five minutes later a forty-foot container lorry with a grocery wholesaler’s logo on

its side reverses down the pier. Using the tail-lift, the driver places a pallet-load of provisions on the flagstones beside the ferry. 'Haven't you got a derrick so that you can swing it on board?' he asks the crewman. 'We have not,' the latter replies, taking a knife out of his pocket to cut through the heavy plastic cling-film with which the pallet-load is wrapped.

The ferry's skipper, Paddy O'Halloran, who has sailed the island's mail-boat for over thirty years, comes from the wheelhouse; I join him, and the goods are transferred from pallet to deck along a three-man chain.

A fair selection of what the island will need for the next week is there; sugar, biscuits, jars of jam, flour, margarine, toiletries and disposable nappies are all passed down the line until a large part of the open deck is three-deep in cartons. I am amazed at the number of packs of non-returnable bottles of Coca-Cola handed to me and wonder if the containers cost more to make than their contents. Later, on the island, I see a half-hearted attempt to dispose of their predecessors by burning them with other packaging material on the beach near the jetty.

When the tide comes in, the unburnt rubbish floats off into the harbour. Some of it will be washed up on the mainland because of the direction of the prevailing wind, but most will be strewn along the tideline of the harbour itself. On the jetty I find a stack of baker's trays that somehow never made it back to Pat the Baker's factory in Granard, County Longford, over a hundred miles away.

After a smooth 40-minute crossing over a sparkling sea, the supplies are loaded into a trailer to be hauled by tractor to Day's shop, less than fifty yards from where the board docked. There, the full extent of Inishbofin's dependence on the outside world is revealed. The mile was packed into waxed cartons sixty miles away in Oranmore on the far side of Galway. The eggs come from County Monaghan, the frozen fish from County Donegal, the cheese, butter and bacon rashers from the Golden Vale in County Cork.

Yet this was an island that used to supply large quantities of eggs and butter to the mainland within the lifetime of many of its inhabitants and whose fishing industry once employed over two hundred of its men. What has gone wrong? Why does an island that spun, wove and knitted almost all its own clothing a century ago and even grew flax for its fishermen's lines now produce so little for itself? The question needs to be answered, because only five or six of Inishbofin's 75 remaining households are not almost totally dependent for their income on state pensions or the dole.

It's not hard to find factors that contributed to the island's loss of its self-reliance. For example, Margaret Day, who ran Day's Hotel beside the shop until recently and was also the island's nurse for many years, says that the provision of a public electricity supply on the island in the early 1980s enabled people to stop keeping milking cows. 'Until then, because the ferry could be tied up for days during bad weather, people had to keep a house cow if they wanted to be sure of having fresh milk. After the power came, they could keep bought milk in their freezers.'

There are very few cattle on the island now, because the EU's headage payments for sheep have made that animal more popular, and even those that remain are not generally milked. 'It's very difficult to get them used to hand-milking once they've been allowed to suckle a calf,' says Margaret Murray, who runs the island's other hotel, the Doonmore. 'I'd like to use Inishbofin milk in the hotel, but the health board insists it has to be pasteurised before it can be served to guests. The cost of the equipment means that that's out of the question.'

When a cheese-maker came from the mainland in 1993 to run a course there was scarcely enough island milk for her demonstration and none of the seven trainees, Murray included, has been able to practise what they learned. No butter is being made now either, although a churn is on display in the Doonmore's dining-room. 'This has meant that there is no buttermilk available for baking soda-bread. We bring it in from the mainland, but having to buy it has discouraged people from making their own bread,' Day says.

Another reason few cattle are kept is the difficulty of getting them to market. Slings have to be placed under their bellies so that they can be winched into the hold of the island's cargo boat, the Leenane Head, a fine wooden Zulu built in Scotland in 1906.

'The winching and the sea journey set them back,' Murray says. 'They have to be rested for a day before they can travel any further. This makes it difficult and expensive for local people to take them to market themselves. What generally happens is that dealers come over from the mainland buy the cattle cheaply, asking the farmers to keep the animals until shipment is arranged – which can be as long as two or three months. A farmer can't manage his affairs on this basis: he can't sell when he wants to sell. Sheep are easier to get to the mainland.'

Almost all the island's meat is brought in. Several years ago Murray, who was on the Inishbofin Development Association's committee at the time, investigated the possibility of setting up a slaugh-



terhouse so that the community wouldn't have to go to a mainland butcher just like everyone else. What she had in mind was something small and simple to handle sheep, but the county council had a standard specification and insisted that it be followed. 'Their building was big enough to handle cattle as well and had walls tiled to the ceiling. It was just too expensive, and so nothing was done.'

In fact, some sheep are still slaughtered on the island and their meat is sold, but it is done secretly to avoid persecution. Thus, official inflexibility led to the worst outcome of all: unregulated butchering in totally unsuitable conditions.

Although the island once had curing-sheds to enable its fish catches to be sent all over Europe and to Africa, very little fishing is carried on now; two disused trawlers are tied up at the jetty, unlikely to sail again. The only seaworthy fishing boat of any size left is the Northern Ranger, but this is used mainly for taking parties of visitors to the neighbouring islands of Inishturk and Inishark.

The main income of its owner, Gustin Coyne, comes from maintaining the island's electricity generating station and from doing electrical work in people's homes. 'A few years ago you could make a good income for the summer by setting three dozen lobster pots,' he says. 'Now you can't make a living if you set three hundred.' The days before the Second World War, when a Frenchman called Samzun brought in French boats each year to supplement the local effort and shipped the live lobsters to England, are a fading memory.

Most of the fish in the surrounding waters – the mackerel that were caught between March and July, the herring shoals that came at harvest time, the cod and the ling – have gone, destroyed by over-fishing or taken by bigger boats further offshore. The decline began in the 1920s. Previously, fish buyers had come to island from as far away as Germany and Shetland, and the waters around Inishbofin were regarded as among the world's foremost fishing grounds. In the 1840s as many as ten thousand fishermen congregated on the island when the shoals moved that way.

Gustin says the concessions the government made during the negotiations for Ireland's membership of the EEC in the early 1970s delivered the coup de grace to the fishing industry, because they involved exchanging increased access to Irish waters by other countries' boats for higher farm product prices under the Common Agricultural Policy. 'At the time, the government didn't even know how many fishing boats were in this country, or how big they were,' he says. 'That shows how unimportant fishing was to them. I'll give you an example of what that treaty did. Until a few years ago, crayfish

were an important and valuable catch around here, but the Spanish found the trench along which they migrate north and began fishing it. So the crayfish began to use another trench, until the Spanish found that too. Very few reach here any more, and there's nothing we can do about it.'

It would be very nice to stop being negative and to list the activities the islanders have developed to replace fishing and farming. Unfortunately, apart from a little tourism – mostly day-trippers during the three summer months – there's nothing to report. Instead, the litany of loss goes on.

For example, although the island is ideal for raising free-range poultry because it has no foxes – a serious problem for small holders on the mainland – only a few people keep hens and geese, and Murray says it is difficult to get island eggs to serve in her hotel, although she tries. In any case, keeping hens would not reduce the island's dependence on the outside world to any great extent if, instead of importing the eggs, Inishbofin imported the feed. In the old days the islanders fed their flocks on oats and potatoes they had grown themselves and that were an important part of their families' diets, but only small patches of both are grown today.

The crafts the island had at the turn of the century disappeared as boatbuilders, blacksmiths, shoemakers, tailors, weavers and seamstresses were gathered to their ancestors. No equivalent skills came to replace them, and the island's children, whose links with their birthplace are weakened when they are sent as boarders to secondary schools on the mainland, look for their opportunities elsewhere.

As a result, the number of households dropped from 186 in 1983 to seventy-four a century later, and the population declined even faster, so that a majority of today's households consist of one person or an elderly couple. There are only 21 children at the island's primary school. Indeed, because the age structure of the population is so skewed, unless new people move to the island or emigrants return, the number of permanent residents can be expected to fall below a hundred by the time of the next census in 2001.

This might bring numbers close to the level at which the authorities decide that the island is too expensive to service and that its people should be encouraged to leave. On the neighbouring island of Inishark the last six families, comprising 23 people, were removed to the mainland in October 1960.

From the introduction of Richard Douthwaite, *Short Circuit: Strengthening local economics for security in an unstable world*, Green Books, Totnes, 1996.



**1997**

**Alex MacGillivray, Candy Weston and Catherine Unsworth**

By the mid-1990s, NEF was the acknowledged authority on local indicators of success – a process fuelled by the popularity of Local Agenda 21. After the Earth Summit, the debate about indicators had increasingly shifted to the local, re-inventing them as tools for local communities to use to take control of their destinies, rather than the province of technocrats and auditors.

This process was helped along by an alliance between NEF, UNED-UK, accountants Touche Ross and the Local Government Management Board – launched by Prince Charles in 1995. Soon Strathclyde was measuring its success by the number of golden eagles, and a range of other indicators were popping up too: dog mess in the park, frog spawn in local ponds, homes with a bus stop within walking distance, number of books borrowed from the library and so on.

Throughout 1997, NEF's indicators team at the Centre for Participation worked on a poster and a handbook that would make these indicators easily adaptable for any local authority or local community. The result was the *Communities Count!* handbook, published early the following year. This is the introduction.

***Indicators into action***

*What gets counted, counts.*

This fact of life means that the things we assess and measure, are those things we value most. On the other hand, the things we don't measure are all too easily ignored or marginalised. Indicators are the simple tools that measure and communicate what's going on. This information is an essential part of the decision-making process. Information is power; information is carefully guarded; and the 'experts' would be happy to stay in charge of the 'indicator that communicate information.'

Yet every community is full of ordinary people who have much valuable knowledge, energy and expertise. Developing and using

practical and appropriate community indicators is one of the most effective ways of engaging peoples' interest in their community, enabling them to identify and clarify what things are most important to them, and what they would like to change.

Community indicators projects tap into that local energy and expertise, as well as engaging a whole spectrum of people in the task of working together to improve their community; to make it 'sustainable'.

### ***Sustainable local communities***

Tony Blair made a bold statement to a distinguished international audience at the United Nations: 'I want all local authorities to adopt Local Agenda 21 strategies by the year 2000'. But what did he mean? One community activist in Inverness found that most local people thought Local Agenda 21 was a trendy new bar!

Local Agenda 21 is actually a catchphrase to describe what communities (local) need to do (agenda) to ensure a better quality of life, now and for generations to come (21 for the coming century...). To do this, we need to be 'sustainable'. Like most jargon, the idea of sustainability is actually pretty simple. A sustainable society seeks to:

- Protect and enhance the environment,
- Meet social needs, and
- Promote economic success.

Sounds simple enough? There are over 20,000 communities in the UK, represented by thousands of local government institutions (local authorities, councils) and community groups. The Government recently found that a third of the people asked claimed that they had heard of the term 'sustainable development' – but only a fraction could come up with a reasonable definition. So there's a lot of work to do if we're not to disappoint the Prime Minister!

Luckily some councils are making great progress and, in a recent survey, two thirds of local authorities had at least started to develop plans to make their communities sustainable (Local Agenda 21 strategies).

Half of all local authorities say that they are developing indicators to tell them and local people whether the strategy is working or not. For this guide, we have looked at about 40 sets of sustainability indicators that have made it 'off the drawing board'.

What can be learned from these sets of community sustainability indicators? The pattern that emerges is complicated. Few if any communities in the UK can claim to be sustainable, on the basis of the indicators they have selected. In most cases, there are some things 'in a critical condition', some aspects that are 'comfortable', and some areas that will need to be kept 'under observation'.

Making communities more sustainable is a challenge that means finding the right balance between social needs, environmental constraints and economic goals. In practice, even with the help of indicators, this balance is going to be hard to find.

### ***The broader picture***

There is now, more than ever, an underlying impetus to '...modernise Britain and build a fairer, more decent society', in the words of Hilary Armstrong, Minister for Local Government. The creation of community sustainability indicators offers a vital key to engaging people in very diverse communities in achieving this vision.

The Government has initiated other key strategies which are designed to support these aims. 'Best Value' in public service provision, 'Lifelong Learning' for all, integrated local transport, *Our Healthier Nation*, the 'New Deal' for unemployed people, and 'Widening Participation' in further education are all innovations which link together with the many community regeneration approaches now being pursued. The concept of focusing in on priority areas (through Health Action Zones, Employment Zones and Education Action Zones, social exclusion hotspots), reinforces the importance of working at the community level. All these initiatives are designed to last, to be sustainable.

To make the most effective impact, then, successful community indicators projects – wherever the starting point – are taking all these other strategies into account and seeking ways to integrate their work with that of other organisations and partnerships. Although local authorities and community groups are both beginning to feel 'consultation fatigue', working together and sharing good practice is the way forward!

### ***This step-by-step guide...***

...has been designed to take you and your colleagues, friends,

neighbours and others who share your village, town or city through the process of identifying indicators of sustainability that are relevant to your particular community.

Done well, community indicators are a double whammy. They not only tell you whether your community is becoming more sustainable or not. They can also actually help to improve things. Done badly, indicators can be frustrating, boring, a waste of time or even counter-productive. While some trial and error is a useful learning experience (and probably inevitable), we have tried to point out some of the common pitfalls.

This guide gives ideas about how to involve as many people as possible the whole way through the process. Although this is not easy, it is the best way to make indicators work.

We suggest you start off using this guide by looking right the way through it. This will give you an idea of what needs to be done. You can then decide how to tackle each step, in the light of your energy and resources. Remember that if you are successful, you will attract more people and more resources as you go.

One way of saving energy is to 'piggyback' with another project. Looking through the guide now will give you a sense of which stages another project can help with, and when you are on your own.

Indicators are signals. They are tools for simplifying, measuring and communicating important information. We use indicators every-day in our personal lives. For example, 'running a temperature' is a simple and easy way to measure and talk about poor health.

A high thermometer reading is an objective 'proof' of the subjective feeling of illness. We take the reading and decide how to take action to make ourselves more healthy.

In just the same way, community indicators can flag up the need for action in our neighbourhoods, towns and cities, and can also be very useful in pointing up potentially beneficial changes. This guide is intended to show how they can be used.

### ***Questions that affect everyone***

Quality of life, sustainability, social inclusion, community development...whatever name we give to this process in our communities, people are interested in finding answers to the questions that affect us all. What's going on in your community? What is happening to people's health? What state is the education system in? Is crime on the increase? Is the environment in trouble? How is our local econ-

omy getting on? Is it getting easier to travel from A to B?

Across the UK, communities of all shapes and sizes are developing sets of indicators to measure the local trends that really matter to them. Many are co-ordinated by the local authority; some are led by community activists. People are measuring trends in big cities and small villages; some projects are well established, others in their infancy. We can expect hundreds more projects to start up in the next year or so.

This guide draws on the experiences of over 40 different initiatives, and more are beginning each week. In each place a wide variety of trends is being measured, in a whole load of different ways. Out of this diversity, some common lessons have emerged. We draw on those common lessons, and present them as clearly as possible.

### ***Communities count!***

All these projects have one thing in common: local people deciding together what is important to them and agreeing how best to measure whether things are getting better or worse. The results increase awareness of problems and opportunities, and help build agreement about what should be done. We have found that being armed with the fact enables people to:

Participate in their communities. People have a great deal to offer to their communities, but are all too easily excluded. Increasingly, central government, local authorities and other bodies are appreciating the value of the participation of as many people as possible in the running of their communities.

Strengthen their arguments, raising awareness about the need for action, demonstrating the benefits of what local groups are doing, and building the case for outside support and funding.

Build capacity, learning new skills and developing community relationship. Working with indicators helps people to decide on priorities, decide what action to take, monitor progress, and celebrate achievements. It can even be fun!

When local people find their voice, they literally make communities count!

Ten good reasons for doing community indicators...

- 1 Focus attention on what's important to people.
- 2 Get people working together in enthusiastic partnership.



- 3 Increase awareness of the community's strengths and weaknesses.
- 4 Create opportunities for local people to get involved in decisions that effect them.
- 5 Build the community's capacity to find appropriate solutions to their own needs.
- 6 Tap hidden potential and energy by building the community's ability to take practical action.
- 7 Create learning opportunities for every age group.
- 8 Bust through bureaucracy, streamline existing processes and liberate essential information.
- 9 Influence a wide range of decision-makers.
- 10 Increase sense of belonging...and fun!

From Alex MacGillivray, Candy Weston and Catherine Unsworth, *Communities Count! A step-by-step guide to community sustainability indicators*, London: New Economics Foundation, London, 1998.

**Thomas Fisher, Ed Mayo, Pat Conaty, John Doling  
and Andy Mulineux**

It was the year that the G7 made their way back to Britain, the year of NEF's People's Summit in Birmingham, and the year that the Jubilee 2000 campaign – chaired by NEF director Ed Mayo – finally brought serious political pressure to bear on the G7 leaders on the issue of third world debt. An extraordinary 70,000 people held hands, danced and sang – driving the leaders out of the city – and extracted promises from Gordon Brown and others that have made a real difference to people in the world's most indebted country.

Ed was invited to see Prime Minister Tony Blair at the height of the conference – the first time a TOES event had been given such a hearing. Though, we weren't to know it at the time, but Birmingham was the last of the counter-summits to go ahead in quite that form. After Birmingham, the G8 and WTO summits became a focus for violence, on both sides, that over-shadowed their original purpose.

It was also the year of the publication of NEF's report, funded by the Joseph Rowntree Foundation, that would lead directly to the development of a new community banking infrastructure for Britain. *Small is Bankable* was written by NEF's community finance head Thomas Fisher and his colleagues and was successful enough – a year later, at a meeting with community groups at the Whitechapel art gallery – to be seen under the arm of the Governor of the Bank of England as he came into the room.

In some ways, *Small is Bankable* was the culmination of NEF's work on how to provide banking services for the poorest ten per cent of the population, which began in 1994 with the report *BankWatch*. But it was also the beginning of a new phase of the campaign, which would lead to the government's Social Investment Task Force, its tax credit for social investment, the launch of the London Rebuilding Society, and much else besides.

This is how the report set out the future. The second passage is how NEF's newly-appointed communications officer Radhika Holmstrom saw the People's Summit.

## ***An agenda for community finance***

### *Think big, lend small*

One vision for community finance initiatives in the UK is for them to develop within a decade:

- Credit unions serving at least 10 per cent of UK households.
- A national micro-finance scheme serving 100,000 enterprises.
- Community loan funds serving every major city.
- An extended social economy/charitable enterprise sector.
- 100 mutual guarantee societies serving every region of the UK.
- Community finance as a significant force for sustainable local regeneration.

To think big but lend small will require a proactive policy and development framework supporting existing initiatives to scale up with an enlarged capital base and enabling new ones to emerge.

The single most important objective for policy is to ensure that the conditions are right for partnerships between the voluntary, private and public sectors to form and flourish. As with any partnership, this also means addressing issues of power, participation and understanding.

There are four key policy steps, each of which addresses part of the equation of how to widen access to capital.

### ***1. Improve access to technical assistance***

#### *Equal opportunities obligation*

Technical assistance and training improves borrowers' business skills, increases their number and reduces the risk in lending. There is insufficient research, and indeed some evidence of concern, on the extent to which technical assistance providers reach disadvantaged people and places. Concerns also exist over gaps.

We believe that public money for Business Links and other technical assistance agencies should be linked to obligations on equal opportunities, including reaching actual potential small and social businesses in disadvantaged communities. There are examples of how to do this. The role of TECs, for example, could be expanded to

enable them to serve the community enterprise sectors, as well as the small business sector. IPPR has also proposed that Business Links serve micro-enterprise, and argued for the core funding required for them to do so.

### *Technical Assistance for the Local Economy (TALE) Network*

Policy concerns over access to technical assistance have in the past led to a tendency to promote a 'monoculture' of standardised approaches or agencies for technical assistance. Disadvantaged communities and groups would be better served through a framework in which a diverse range of potential providers could come forward.

This would take the form of a network of recognised local economy technical assistance providers, with a funding window, open to existing business and non-profit advice providers (including local authority-supported initiatives such as co-operative development agencies). Training would ideally be certified (to ensure that transferable skills are accrued) and quality assured (to ensure they are recognised). Such a network would oversee quality assurance for advice, training and support for potential and existing micro- and social enterprise.

## **2. Enable community finance initiatives**

Community finance initiative can act both as cost-effective lenders but also as intermediaries, able to use their knowledge of their market to enable others to lend.

### *Community Capital Fund*

A national challenge fund for community finance initiatives to bid for equity investment, capital grants, loans and technical assistance on a matching basis would be an imaginative step and would take community finance into the public arena. An annual fund of £20-40 million could be allocated to around 10 community finance initiatives or partnerships. This model has proved highly effective in the USA.

The Fund would support initiatives at varying stages of development; its procedures would therefore required care and attention.

The Fund could therefore offer financial support for three purposes.

Capacity building: lower-level support to improve the capacity of community finance initiatives to develop and scale up (e.g. marketing assistance, technical assistance, training, information technology).

Network support: funding for developmental services of community finance networks (e.g. a revolving loan fund operated by a credit union association to finance the acquisition of credit union premises).

Capital support: endowment funding or investment of equity capital or equivalent.

### *Support for micro-finance initiatives*

Draft proposals from community finance leaders are under development for a national partnership venture between the British Government, with a potential additional funding from the EU, and a group of mainstream financial institutions. There are also existing pilot initiatives, such as the three focusing on women with low incomes or on welfare in Birmingham, Glasgow and Norwich, which are in tune with Welfare to Work strategies but require further changes to the benefit system if they are to achieve greater impact.

There is therefore opportunity for supportive action on micro-finance by government at all levels, including within the context of current programmes and legislation for employment zones and pathfinders for the regeneration of poor neighbourhoods.

### *Community finance regulation*

Consideration will need to be given to appropriate regulation for emerging models of community finance.

From autumn 1998, the Financial Services Authority is progressively taking over responsibility for supervising all commercial financial enterprises. Thus the various friendly societies, industrial and provident societies, charities, co-operatives (including credit unions) and mutuals (e.g. the remaining building societies) involved in providing financial services will increasingly be subject to conformable regulatory and supervisory practices. The emphasis is expected to shift away from practitioner-led self-regulation towards a system where the users of financial services, including household con-

sumers (through representative groups), have more influence.

Proposals for changes in credit union regulation are already in the pipeline. Regulation is not a significant barrier for community loan funds, micro-finance funds or mutual guarantee societies. However, who regulates varies, depending on the legal status, such as charity or Industrial and Provident Society, of the initiative. It is not clear that this will continue to be the best way to regulate the sector.

Regulation may also become an obstacle. If regulators are not aware of the sector's needs and operational capacity, CFIs may be caught up in regulatory burdens, such as obligations under EU banking directives. In the latter case, regulation, for example on minimum equity requirement, already inhibits the development of potential new social banks.

If savings become an increasing focus for community finance, as arguably they will need to in terms of building assets for community regeneration, again there is more likelihood of regulatory issues emerging.

For community loan funds, there is an opportunity through the Rebuilding Society Network to develop effective and coherent self-regulatory good practice, as in the USA, before it is imposed further down the line.

There are also many existing small business loan funds in the public sector which have often not proved sustainable. They remain a significant resource whose potential has not been fully realised. Drawing on the experience of both CFIs and the public sector, effective and coherent good practice, especially on sustainable strategies, should be developed and applied to these public loan funds as well. This may involve handing over management of the funds to CFIs, as has already happened in a number of cases.

### ***3. Improve risk and return***

At the heart of each community finance initiative is an effort to reduce the risk and cost to the investor. This enhances the attractiveness of community development as an investment opportunity.

#### *Targeted loan guarantees*

Appropriately used, loan guarantees can be an effective way to

reduce risk and therefore assist community finance initiatives to address finance gaps. However, the existing Small Firms Loan Guarantee Scheme is not well-suited for this purpose, having already shifted to larger growth-oriented and high-tech firms.

A new loan guarantee programme in the UK, better targeted at disadvantaged areas (such as inner cities) and particular groups (such as women and ethnic minorities) with wider access (to include community finance initiatives) is required. The American Small Business Administration's low-documentation and micro-finance schemes provide a good example of how this can be introduced. Such guarantees would need to be subsidised (with a larger proportion of each loan guaranteed and lower costs to borrowers).

#### *Tax credits*

Tax credits can improve incentives for banks to support community finance and help to enhance economic efficiency by widening access to finance. Tax credits already apply to charitable donations but not yet, for example, to individual or corporate investment funds placed with community finance initiatives. Relevant tax credit models exist in the Netherlands (e.g. for environmental investment and green enterprise ventures) and the USA (where the Bank Enterprise Fund offers credits to banks, for investing both in their wholly-owned community finance subsidiaries and in CFIs themselves).

#### **4. Create market condition favourable to social responsibility**

##### *Community Reinvestment Disclosure*

Banks can serve disadvantaged neighbourhoods indirectly through CFIs. However, granted their own significant resources, how can banks directly and profitably serve disadvantaged neighbourhoods in Britain better?

One successful model addressing these issues is the US Community Reinvestment Act (CRA) and associated legislation. Despite opposition from bank lobbyists, the legislation is widely judged a success by most parties, including British banks that have had subsidiaries operating in the USA.

Under CRA legislation, US retail banks have committed around \$300 billion to low- and moderate-income neighbourhoods and

have discovered that such lending can be profitable. The legislation achieves this through two key actions: public disclosure of banks' record in serving poorer communities and regulator sanctions for poor performance.

Disclosure focuses attention on reinvestment lending and creates gains and losses in reputation for best and worst performers. Regulatory sanctions cut short the tail of worst performers. Practical options for doing the same could be adapted to the relevant industry, regulatory and social context of the UK.

Such an approach would fit regulatory trends in financial services towards greater disclosure. It would also mesh well with international regulatory trends requiring more disclosure of balance-sheet information by banks, and with internal reporting trends in banks. A bureaucratic or expensive reporting system is not required. Practical options for disclosure include the following:

Aggregate financial services data on a customer post-code basis, allowing: reinvestment patterns to be understood and compared to socio-economic indicators of deprivation; communities to engage in informed discussion with banks about how to reinvest in their area (and ask several banks to report against the same area in order to co-ordinated); and public sector organisation such as Regional Development Agencies and local authorities to understand reinvestment flows and where to channel efforts, technical assistance or funds to improve the environment for private investment.

Aggregate national data extending current social data provided by, for example, the British Bankers' Association and APACS to encompass a wider set of issues relating to financial services access. An analysis of relative performance on a community reinvestment could be carried in the Bank of England Quarterly Bulletin or an equivalent publication.

The right approach to serving disadvantaged neighbourhoods better is best judged by individual banks. Some are already displaying leadership. But without policy action, and supportive legislation along the lines of the Community Reinvestment Act, to create transparency and encourage socially responsible performance there is no guarantee that most banks will even address the question.

### *Reinvestment partnerships*

Partnerships and finance are two central components of regeneration policy and practice. However, there is little evidence of regen-



eration partnerships being established to look systematically at widening personal and enterprise access to finance.

The approach of reinvestment partnerships can draw on US local community reinvestment 'agreements', which detail the actions that will be taken by commercial banks, non-profit groups and public authorities. This would give banks a workable framework to invest in CFIs, commercialise the knowledge they have built up through existing partnerships with CFIs, and invest more effectively and profitably in disadvantaged communities.

However, reinvestment partnerships do not only require action by banks. The public and non-profit sectors have key roles in creating the conditions in which local capital investment can flourish. For statutory agencies, this would include services such as investment, technical assistance and enterprise support. Non-profits should use their knowledge of local needs and circumstances and potentially reduce some of the banks' transaction costs. Both public and non-profit bodies would need to ensure that any reinvestment partnerships are integrated with other complementary strategies for community regeneration.

An early pilot of such an approach would provide a model process which could also be embraced by existing regeneration partnerships at local and regional levels.

## **Conclusion**

If we are to increase the amount of capital for community and economic regeneration, it is essential to tap the full resources of private markets because the demands far exceeds what can be supplied by philanthropy or by the public sector. UK practice in community reinvestment is still young. It does not yet match up to the full scale of need. Yet its potential to develop and improve people's lives in an era of deep inequalities is vast. If so, it will form a significant part of a 21<sup>st</sup> century agenda of democracy and economic opportunity.

From Thomas Fisher, Ed Mayo, Pat Conaty, John Doling and Andy Mulineux, *Small is Bankable: Community reinvestment in the UK*, Joseph Rowntree Foundation/NEF, York, 1998.

## ***What the summit felt like***

Some of us went dancing in the streets. Some of us went shopping.

It wasn't the plan. But what do you do when you've got an emergency meeting with the Prime Minister? It was after I told NEF director Ed Mayo: "You're not going dressed like *that*" that we found ourselves trawling round Birmingham's Marks & Spencers looking at Respectable Shirts and Suitable Ties.

And while the rest of the NEF staff joined the Reclaim the Streets protest, dancing joyfully among the immobilised lorries, we were waiting...and waiting...and waiting...for Tony to get back from the country retreat where he'd spent the afternoon.

The journalists in the G8 summit press room were also waiting – to get the official line on debt. The rumour from the grumpy hacks was that Tony and Bill were late back to Birmingham because they were watching the end of the FA Cup Final – later confirmed by Downing Street spokespeople.

In the end the official comment on the meeting went out *before* the actual meeting finished. One of those nail-biting events where international accountability creaks at the seams, and you get to see the stitching.

I don't suppose they were helped by the fact that it seems, at the time of writing, to have been the only hot weekend of 1998 – great for street partying, less so for being trapped in the G8 press room in the National Indoor Arena, which is a huge artificially-lit bunker. They shoot *Gladiators* there.

You could only get in with a special pass complete with psychotype passport photograph. It was full of lap-tops, hacks eating free but rather unexciting food off peculiar polystyrene trays – non recyclable, naturally – and scrunched-up copies of official press releases.

The only person having a thoroughly good time was the head of media from another NGO who managed to crash one of the official computers – proudly displaying the official website, otherwise inaccessible from normal computers because it has so many graphics on it – while attempting to download computer games.

It was even more annoying being in the official centre when you know that round the corner at the People Power Site, people were sitting in the sun looking idly at the yurt – I think the yurt was the tent – it may have been something else. There was definitely a yurt there.

Also at the solar-powered cinema (no, I never worked it out either). And at the small children wearing as much face paint as the

average NEF staffer at Reclaim the Streets.

Two stunningly beautiful kids showed off for photographers among the permaculture demonstration. Any residual misgivings at their exploitation by the international media were quite clearly misplaced. Since they – and their proud parents – were obviously having a wonderful time, managing to make Power Site Life look like the latest stylish accessory.

The other good thing about having photographers and journalists there as that it was obviously a staff responsibility to spend lots of time sitting in the sun, drinking organic herb tea and keeping a close eye out for the yurt...

Other journalists, the ones lucky enough to be specially allocated to the People's Summit, got privileged access to some rather special moments.

*The Guardian* requested – and got – a word-by-word repetition of Ed Mayo's Vegetable Song (the one that goes 'Don't Be Crool/To a Vegetabool') as performed the first time to the sustainable consumption conference. Only Frank Sinatra's death could have forced it off the front page.

The other Big Song Rendition was by the *Summit News* editor crooning – the only word for it – that great primary school assembly hit 'Kumbayah' at the human chain. He swears, though, that he didn't get the NEF First-Person-to-Cry prize, which was awarded to a volunteer for simultaneous tears at the human chain and the Cup Final results. Nor was he the NEF colleague being carried jubilantly aloft on the shoulders of less fortunate people, as featured on the front page of the following week's *Church Times*. We didn't even know, till another colleague's mum sent a copy in the following week.

It was great. Official and unofficial highlights alike. And Saturday in Marks & Spencers will never be the same again.

Radhika Holmstrom in *Summit News* 4, September 1998.

**1999**

## **Andrew Simms and Ed Mayo**

The Jubilee campaign was reaching a crescendo, and – although NEF was building a reputation in local economics – it was clear that its capacity to comment on the global end of the sustainability issue. It was already clear that social auditing was now so mainstream that it was becoming hard for NEF to continue to carve out a distinctive role in its development.

Andrew Simms, then a campaigner for Christian Aid, joined NEF to build its global voice and began preparing a series of reports – on issues ranging from global warming to accountancy – that have given NEF a reputation for innovation. The stance on global warming led in 2001 to proposals – now being taken forward by some of the small island states – to sue the US government for their role in preventing a solution to global warming. But it was the issue of rich country ecological debt – compared to the unpayable financial debts of developing countries – that helped to turn upside down the idea of who really owed whom in the global economy. This is how he introduced the issue in NEF's new publication *News from the New Economy*.

The phrase 'new economy' was about to become the slogan of the internet bubble then gathering force in Wall Street and the City of London. NEF used it also to describe the emerging ethical, green, social and fair trade economy that was emerging – as they had always said it would – from organic food, community banks to ethical investment.

Brave New Economy was the title of the CD-rom project on the subject, backed by the unusual combination of Friends of the earth and NatWest, that was launched early in the millennium. This is the speech by NEF director Ed Mayo on the subject to the CAF annual conference in London in October 1999.

## **Carbon debt**

### *Ecological debt – The Rich Countries Burden*

‘People in glass houses shouldn’t throw stones.’ It’s the kind of advice that parents love giving to children – heavy with metaphor, mildly philosophical and too immediately confusing to argue back at.

For years rich countries and their pocket institutions like the World Bank and International Monetary Fund have been throwing stones at poor countries, telling them to pay back debts. Debts that are often highly dubious if you dare ask who was actually to blame for creating them, and are almost always terribly damaging to the lives of the people in the countries that have to pay.

Now in the age of climate change it emerges that the stone-throwers are living in a glass house of their own making. Rich countries, by recklessly burning more than their fair share of fossil fuels, have run up a huge environmental debt – a carbon debt – and it is time to call them to account. The world they are creating is an increasingly fragile and hostile place.

During floods in Mozambique, the world’s media reported a story of hope amid the despair and catastrophe. For days, while the international response stalled, just a handful of helicopters plucked a lucky few stranded people to safety. Then a woman was found clinging to a tree to escape the water. She had been there for three days. Extraordinarily, in the minutes before her rescue, she gave birth. There was a ripple of inappropriate self-congratulation in the Western press.

The story diverted attention from the large but unknown number of deaths, the estimated 1million people displaced, the loss of countless livestock and crops, the immeasurable damage to infrastructure. Typically, poverty had moved large numbers of people into areas highly vulnerable to climate-related disasters.

For a country still recovering from years of conflict and debt, the flood not only wiped out hard-won human development gains, but set the country back far into the foreseeable future. In spite of its poverty and efforts towards reform, the servicing of foreign debts had been allowed to drain Mozambique of precious resources for many years.

Even following what was then the latest debt-relief deal, estimates suggested that Mozambique would still have to spend US\$ 45 million a year on debt servicing – more than it spent on either primary health care or basic education.

Yet, while highly indebted poor countries are pursued by creditors to service their foreign debts, industrialised countries are themselves responsible for a larger and potentially more damaging ecological debt. No accounting system exists yet to force repayment of carbon debt – and so far those most responsible are least likely to suffer the consequences. But the spectre of global warming darkens everyone's horizon.

According to a 1999 letter co-signed by the under secretary of the US National Oceanic and Atmospheric Administration and the chief executive of the UK Meteorological Office, “the rapid rate of warming since 1976, approximately 0.2 degrees Celsius per decade, is consistent with the projected rate of warming based on human-induced effects. We continue to see confirmation of the long-term warming trend.”

Poor people in poor countries suffer first and worst from extreme weather conditions linked to climate change. Today, 96 per cent of all deaths from natural disasters occur in developing countries. By 2025, over half of all people living in developing countries will be “highly vulnerable” to floods and storms. Ironically, these are also the people likely to be most affected by the results of financial debt.

Mozambique was just one example. Late in 1999, the coasts of Venezuela and India's Orissa state suffered some of the worst storms and flooding in living memory, killing tens of thousands. Ever-worsening floods in Bangladesh left 21 million homeless in 1998. That same year, the El Niño weather phenomenon left its scars in droughts and floods from southern Africa to northern India, Latin America to the Pacific. Then, ironically, Mozambique had to prepare for drought. When Hurricane Mitch hit Central America, the Honduran president commented, “We lost in 72 hours what we have taken more than 50 years to build.” According to the reinsurance giant MunichRe, the number of great weather-related and flood disasters quadrupled during the 1990s compared to the 1960s, while resulting economic losses increased eight-fold over the same period.

Geological history shows the earth gripped by natural cycles of cooling and warming. But now, because of human-driven accumulation of carbon dioxide in the atmosphere, we are moving beyond natural climatic variations.

To solve the problem or, at least, mitigate its worst effects, all nations will have to live within one global environmental budget. Emissions need controlling because the atmosphere, seas and forests can only absorb a certain amount before disruption begins. Currently, industrialised countries generate over 62 times more car-

bon dioxide pollution per person than the least developed countries. An average United States citizen pollutes at about 12 times the sustainable global rate per person.

No one owns the atmosphere, yet we all depend upon it. So we can assume that we all have an equal right to its services – an equal right to pollute. On the basis of the minimum cuts in total carbon dioxide pollution needed to stabilise the climate, estimated by the Intergovernmental Panel on Climate Change to be between 60 to 80 per cent of the pollution levels reached in 1990, and assuming that we all have an equal right to pollute, rich countries are running up a massive carbon debt. By using fossil fuels at a level far above a threshold for sustainable consumption, year after year the carbon debts of rich countries get bigger.

There is a direct link between fossil-fuel use and the economic output gained from over-utilising these non-renewable reserves. In other words, the more business you do in a fossil fuel economy the more global warming gases you put in the atmosphere. Because of this, the carbon debt can be given illustrative estimates in economic efficiency terms – the proportion of national income generated by the unsustainable per capita use of fossil fuels. Such sums show heavily indebted poor countries in carbon credit each year up to three times the value of their conventional debts. G7 nations, however, fall US\$ 13 trillion into debt. It also shows that economic strategies that set out simply to maximise growth are fundamentally unsustainable.

Given the rules attached to debt relief, logic suggests that poor countries should now, in the face of climate change, be able to impose a reverse form of the economic 'structural adjustment' they have been forced to adopt, on those who have the biggest carbon debts, the rich countries. In *Caring for the Future: Report of the Independent Commission on Population and Quality of Life*, M.S. Swaminathan comments that "what we really need is adjustment to sustainable life styles". The onus is on industrialised countries. A recent British report from the Royal Commission on Environmental Pollution came to the same conclusion.

The critical challenge is now to devise sustainability adjustment programmes for the rich. Klaus Töpfer, executive director of the UN Environment Programme (UNEP), has called for a 90 per cent cut in consumption in rich countries to meet the challenge. Töpfer, in UNEP's report, *Global Environmental Outlook 2000*, pointed to global warming as one of the main threats to the human race, and added that "a series of looming crises and ultimate catastrophe can only

be averted by a massive increase in political will”.

Any solution to climate change will need to be based on reductions in emissions, otherwise known as *contraction*. As the climate is owned by no one, and needed by everyone, we will also have to move towards equally sharing the atmosphere, known as *convergence*. This is less a political choice and more a physical inevitability as more people squeeze into a shrinking carbon budget. To prevent dangerous climate change there is no way around a sequence of actions that begins with agreeing a target for acceptable concentrations of greenhouse gases in the atmosphere, then sets an emissions budget and decides how to share that budget internationally. In this process people will want to be able to trade the right to pollute.

But you cannot trade what you do not own. That means not a ‘redistribution’ of our ownership rights, but a ‘pre-distribution’ of our equal entitlements to the atmosphere. Any system not based on the principle of equal entitlements would create a global carbon aristocracy – introducing, by accident of geographical birth, the right of one person, for example born in the US, to use more of the global commons of the atmosphere than another. This would be anathema to poor, majority world countries, and block a necessary, and ultimately unavoidable, global solution to climate change.

After decades of a system that has driven the gap between rich and poor ever wider, we arrive at a devastating conclusion. Climate change has created a new debt, the opposite of the familiar dead-weight that hangs around the necks of poor countries and now, as if to mock the endless squabbling of political ideologues, we realise, sitting in our glasshouse, that now our simple survival depends on equity.

From Andrew Simms, ‘Who owes who?’ *News from the New Economy*, October 1999.

### ***The brave new economy***

There is a powerful vision of tomorrow emerging around us. Today’s most inspiring social change is happening where you might least expect it – at the heart of the market.

New consumers, fair traders, social investors, vegetarians, organic farmers, and ethical business are all examples of an emerging sustainability sector. There is a groundswell of these initiatives.



Together they show how to scale up and create a clean, green and ethical economy for tomorrow.

Their growth, often from a small base, is phenomenal. Let me give you some examples:

- Fairly traded chocolate and coffee are part of a network linking five million workers and their families to consumers in rich countries.
- While the newspaper agonise over a single currency for Europe, nine hundred and fifty towns and villages across the EU have created their own community currency. They use it for local exchange, tracking deals on someone's home PC.
- Appropriate technology, an idea developed in the 1970s, is now used by a remarkable one in four businesses in poor countries.
- Meanwhile, eight million of those businesses started with a small loan from micro-finance initiatives, such as Grameen Bank in Bangladesh.
- In Europe, we have the rise of 'Ethics Girl', active consumers that are putting their money where their mouth is.
- As a result, over £2 billion of stock market funds in the UK are now invested ethically. Also in financial services, four hundred thousand people have joined credit unions, co-operatives that are growing as fast as any Internet Bank.
- Organic food is the fastest growing sector of food retailing.

These are not just hippy ideas – although some are. They affect millions of people around the world. I want to take you on a journey through this new economy, through a new multi-media resource we are currently developing with BAFTA-Award winning company JWM, with the support of NatWest and Friends of the Earth.

In it, we look at five people that are key to a better tomorrow. All are well represented in the hall today. They are:

- The active citizen
- The new consumer
- The ethical entrepreneur
- The future politician,
- And last but not least, The dreamer

## **1. The Active Citizen**

At its best, the non-profit sector connects people's vision, voices and energy with real change in society. Think back a century and we find little democracy, few employment rights, no votes for women and widespread racism.

The most significant changes to our lives have come from value shifts led by civil society. As Nelson Mandela says, quoting Marianne Williamson's poem: "our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure."

One example is around community participation. Participation means that those with a stake in a decision are involved in making that decision. It builds trust and it ensures that decision stick.

Participation is growing across the economy, from the public sector opening up to businesses giving a real say to their workers.

Across Europe and the USA, local authorities are getting together with key residents to promote sustainable renewal, often under a banner of Local Agenda 21. They use a structured process and, in places such as Chattanooga, have developed a powerful, shared vision of the future.

## **2. The New Consumer**

The new consumer puts her purse in line with her values. From green products through to fair trade, new consumers are increasingly making their presence felt in the marketplace. Over one in three consumers take ethical issues into account when buying goods and services. In the case of animal testing, new consumers have changed the whole market.

The examples of action in this section range from the vegetarian market, five per cent of consumers in the UK, through to responsible tourism and from the rise of renewable energy in countries like Denmark to the hundreds of organic food boxes landing on European doorsteps each week.

## **3. The Ethical Workplace**

New, more flexible patterns of work are emerging. As our patron Charles Handy puts it, a career of working 47 hours of the week, 47 weeks of the year for 47 years of your life is over. Ethical and green

business practices are increasing fast. They see the advantage of an ethos promoting participation, ethics and flexible working patterns.

An example is diversity. This looks at the advantages of having diverse staff or networks. Businesses serving gay and lesbians have created a thriving 'pink pound' sector. In the UK, banks like NatWest have woken up to the fact that ethnic minorities have a disposable income of £10 billion a year, a powerful incentive for action.

A second example is workplace participation. Again in the UK, the Employee Ownership Index, developed by Capital Strategies, easily outperforms the market. Last year, it rose 12.7 per cent over the year compared to 11.1 per cent for the FTSE All Share index.

Example three could be what we have dubbed E-Charity. The world of e-commerce, Dreamcast and the web is crying out for a sane and values-added dimension. Charities are finding ways to use the web to raise funds, develop new income streams and create partnerships, which together can create new markets.

Oxfam are linking with Yahoo. The Samaritans have a website to offer comfort, Jubilee 2000, the campaign on debt which I chair, attracts 15,000 readers of 'hits' a week, rising to one million hits the week Bono did a live interview for the campaign.

Many charities act as brokers, including matching volunteers to needs. We are using time money, to enable work trainees to mentor each other in South London and buy time on work experience. We are exploring ways to recycle unused loyalty points and air miles as incentives for social action.

Social enterprises, including community businesses, co-operatives, housing associations, alternative schools and development trusts are also harnessing new technology for social gain.

#### ***4. The Future Politician***

We need policy shifts. Our present course of economic development seems to be leading us to destruction. It transfers wealth from poor to rich. It marginalizes individuals, communities and cultures. It damages the natural environment. And it denies all sense of the sacred.

The future politician enables the viewer to explore how policies from eco-taxes to Tobin taxes can contribute to an ethical new economy.

## **5. The Dreamer**

The dreamer is the most open and creative architecture in the CD-ROM. It starts from the idea that imagination is the most powerful force for social change. And it recognises that new ideas and visions don't tend to come from the centres of economic power, but from the margins.

In the CD-ROM, you can test your dreams and see whether you are a 'settler' (that's me), a 'prospector' or a 'pioneer'. The Dreamer also looks at eighteen key new economic thinkers.

An example is Hazel Henderson, dubbed 'the world's wisest woman' by social investment pioneer Tessa Tennant. Hazel describes us as entering an 'age of light' in which the basic underpinning of the new economy – information and solar energy – are infinite. This will turn every part of the economy on its head and call for new systems-based tools, from sustainability indicators to social audit.

We can now see that the most powerful movement of tomorrow is the harnessing of citizenship and enterprise together for a just and sustainable economy and society.

From Ed Mayo, 'The brave new economy', speech to CAF, 28 October 1999.



## Deborah Doane, Edgar Cahn

It was the year that NEF's campaigning on community finance – led by Thomas Fisher and Sarah McGeehan – bore fruit in a whole new way. NEF's proposal for a high-level Social Investment Task Force to boost the standing of the community finance sector was taken up by the government – with a secretariat provided by NEF, the Development Trusts Association and the UK Social Investment Forum.

The task force reported the following year, and one of its key recommendations – a tax credit on social investment – has now been adopted by the government and made law.

By then, NEF had also launched the new mutual lending organisation and 'social bank', the London Rebuilding Society – housed in a former NatWest branch in London's City Road – to provide loan finance to the social enterprise sector. "If you can do it in London, you can do it anywhere," said its co-ordinator Naomi Kingsley, urging the same model to be rolled out across the country.

It was also a year for other kinds of money. David Boyle's pamphlet *Why London Needs its own Currency* launched NEF's new pocketbook series, and NEF's own time bank – using a credit system based on time to rebuild community – was launched in a doctor's surgery in Rushey Green in south east London.

NEF had been central to the launch of time banking in Britain since 1997, when its inventor – Washington lawyer Edgar Cahn – was invited to the UK to address two conferences organised by NEF with the help of the King's Fund. There are now nearly 60 time banks in the UK – about a sixth of them part of NEF's London Time Bank network. One of the passages below is by Edgar Cahn, and comes from the special supplement published with NEF's newspaper that year.

The other is from NEF's new head of corporate accountability, Deborah Doane, and comes from the NEF report *Corporate Spin*. It is NEF's response to the way that social reporting and social auditing was developing, and asking the question about NEF's social audit work – "did we send the rabbit down the wrong hole?"

The report led directly to the CORE campaign, with Friends of the Earth and other groups, and the Corporate Responsibility Bill – a

direct challenge to the government's failure to regulate – now being debated in Parliament.

### ***Did we send the rabbit down the wrong hole?***

Social reporting is here to stay. The tools are still in their infancy, as compared to financial methodologies, and, consequently, will be met with significant challenges for many years to come. Because of the voluntary nature of the practice, and its self-defined approach, both the corporations and NGOs have spent a great deal of time and effort in recent years, focusing on building up the practice. For the corporates, this has meant, in some cases, issuing reports as a way to demonstrate their 'socially-friendly' credentials; for the campaigners, to help ensure that the right information gets reported on, or, in a limited number of cases, to challenge the quality of the report itself.

At the same time, social reporting has yet to result in the panacea that many have held it up to be. To date, there is no concrete evidence that social reporting results in improved social and ethical performance and, without the pressure that would be required for increased uptake, few companies will take on the responsibility to issue the data, unless required to do so.

Could our time have been better spent elsewhere? On its own, social reporting will not change the world, nor should we have expected it to. But a number of things will have to take place for it to have any continued relevance. With complementary measures, including legislation and the necessary links to corporate governance, it can still contribute to improved accountability, more closely aligned with its original aims.

### ***Time to grow up***

No one would advocate that the practice of social reporting be stopped. But it has some significant limitations that have been largely ignored and other critical work on corporate accountability has been neglected in the meantime. Taking a step back, there are a number of key actions that will get the corporate accountability agenda back on track.

#### ***1. Prove***

Does social reporting lead to social change? It's fine to report on social information, but if it leads to no measurable change in practice, what's the point? For companies, social reporting itself is a costly endeavour that could simply be a waste of time. Companies who report on poor environmental or social performance must be seen to be finding solutions to problems; and improving their practice. We also have to better understand who uses the information, how and why.

The New Economics Foundation is undertaking an in-depth study in 2001 to understand the full impacts of social reporting.

## *2. Standardise*

Too much effort has been spent on customising information, such that many of the reports have now been rendered virtually meaningless. Looking back to the environmental movement for lessons, many criticism were made of the focus of prescriptive indicators and enforcing compliance against these. Some argued that this resulted in achieving only 'minimum' standards, rather than those to which we aspired.

But they still managed to elevate the movement beyond the fringes and into the mainstream, such that a third of all FTSE companies now issue an environmental report. But there are as yet no leading indicators for social performance. Even the GRI's set of sustainability indicators lags far behind in defining what these should ultimately be.

There is a huge gap in understanding what the relevant common indicators for social performance for business should be, let alone an understanding of how to enforce compliance against these indicators. Without a common understanding and a standardised approach, it is highly unlikely that information disclosure of any substance will result and social reporting will continue to languish as a basic PR tool.

Projects such as the Global Reporting Initiative (GRI) and SIGMA in the UK, both of which NEF is actively involved in, are helping to contribute to standardise social reporting.

## *3. Democratise*

Full accountability cannot be achieved within a corporate structure which is dominated by financial interests. Social accountability can therefore be more effectively achieved by giving stakeholders a big-



ger say in corporate decision-making. Stakeholder governance can enable more effective, on-going feedback and ensure that companies are more responsive to broader social and ethical concerns.

#### 4. Challenge

We shouldn't be afraid to challenge companies simply because we fear a backlash and the cessation of all reports. Social reporting has to be confronted head-on: the information scrutinised and the quality externally enforced.

NGOs, government, journalists and shareholders need to be more rigorous in challenging the quality of reports and the data contained within them. Thus far, most have been working on a 'softly-softly' approach to encourage more companies to take up the practice, believing that companies would stop issuing reports as a result of potential public criticism. But the focus should now be just the opposite: challenging companies to produce more clear and transparent reports with relevant information.

The New Economics Foundation is involved in challenging corporate performance activities. A soon-to-be released *MergerWatch* e-letter will be the first endeavour.

#### 5. Mandate

A large number of the weaknesses of social reporting are a result of the voluntary nature of the activity. Mandatory social reporting is already a legal requirement in some parts of the world. France, for example, requires companies with over 300 employees to produce a *Bilan Social*.

Regulation has a strong role to play in improving the quality of reports and increasing the uptake. A recent longitudinal study comparing environmental reporting in the UK and Germany found that German companies report more on average than UK companies and that their reports included more depth of information. The reason was due, in part, to a higher level of environmental regulation in Germany.

A new UK regulation on pension funds requires trustees to state the extent to which they have taken environmental and ethical considerations into account in fund management. This is a positive step in the right direction. Ensuring that social and environmental information is part of the annual report that goes to shareholders would go even further.

When the Company Law Review report is issued in Spring 2001, NEF will be closely watching the results and campaigning for mandatory sustainability reporting for UK companies. The next step will be to look at this on a global scale.

From Deborah Doane, *Corporate Spin: The troubled teenage years of social reporting*, NEF, London, 2000.

### ***Time banks and co-production***

There have been missing elements in what foundations and government programmes fund when they seek to rebuild community or, for that matter, to address any social problem.

Robert Putnam's work on social capital exposes part of the puzzle. He makes us aware that there is a social infrastructure built on trust, reciprocity, and civic engagement which supplies the foundation on which all else rests. But he leaves us without a game plan, ending his book with the observation: "Building social capital will not be easy, but it is the key to making democracy work."

John McKnight supplies a second critical piece when he lashes out at the deficiency mentality of professionals and call upon us to undertake a 'capacity inventory' that maps both individual and community assets as the starting point for building community.

Time dollars add a third piece. They enable human beings for whom the market economy has no use to redefine themselves as contributors, and they give society a way to value activities the market economy does not.

Time dollars empower any person to convert personal time into purchasing power, stretching limited cash dollars further. Time dollars reinforce reciprocity and trust, and they reward civic engagement and acts of decency in a way that generates social capital, one hour at a time.

In the process of developing applications for this new medium of exchange, the Time Dollar Institute has seized upon a fourth element – one that is even more basic, more fundamental than time dollars. We call it 'co-production'.

Co-production is the essential contribution needed from the ultimate consumer in their capacity as student, client, recipient, patient, tenant, beneficiary, neighbour, resident or citizen.

From experience in launching and managing time dollar programmes, we have arrived at an hypothesis: *without co-production*,

*nothing that professionals, organisations or programmes do can succeed. With co-production, the impossible comes within reach.*

If this hypothesis is true, we must persuade community-based groups, policy makers, and human service agencies of the indispensability of that contribution, and they must begin to intentionally generate co-production from the recipients, targets, or consumers of their efforts. Reciprocity must be central to achieve social change. This is the co-production imperative.

Yet as critical as it is co-production – the essential labour needed from the ultimate consumer – is never fully funded and rarely directly funded, even partially. Instead, we fund specialised programmes, professionals, outreach workers, and local organisations – paying staff while the extensive and essential labour from the individual, the household or the community goes uncompensated.

We rarely lay out this inequity so explicitly. In part, that is because the cost of actually purchasing that labour at market prices, even at minimum wage, would be prohibitive. So we tiptoe around the issue, calling for ‘community involvement’, requiring ‘citizen participation’ – without insisting on it too directly lest somebody ask us to pick up the real cost.

In this context, time dollars emerge as a readily implementable mechanism for generating co-production by rewarding reciprocity and by converting that essential contribution into compensated labour.

The Time Dollar Institute has designed and directly operate cutting-edge programmes to understand and showcase the many dimension of co-production, the dynamics it creates, and the reshaping of roles, processes and outcomes that result. The following illustrations convey some of what we have seen.

In a cross-age peer-tutoring programme in Chicago, 1,000 older students tutored young students and earned time dollars with which they could buy a refurbished computer. Co-production meant that students were eliminating a key barrier to learning, fear of peer rejection, and replacing it with something more powerful, peer approval earned by learning.

In the Chicago sites, attendance went up on tutoring days. In Washington, a time dollar youth court brings juvenile first offenders charged with non-violent offences before a jury of teenagers. Sentences imposed typically include community service, restitution and apology, and jury duty.

The community service assignments are designed to enable the offender to feel needed and valued in their neighbourhoods. The jury

earns time dollars by co-producing what the juvenile justice system lacks: relevant peer approval and community acceptance.

In order to secure high-powered legal work needed to get rid of crack houses, fight police corruption, and secure the release of funds to renovate a local playground, a community development corporation in the Shaw neighbourhood of Washington entered into a retainer agreement with a major law firm.

For each hour of billable legal work, residents working on a community-building initiative donated one time dollar – one hour of community work. In 1998, the firm billed \$234,979 in legal services benefiting the community, and community volunteers have paid that bill with time dollars earned cleaning up trash, planting flowers, taking down license plate numbers of drug dealers, providing safe escort to seniors, tutoring at schools, and a variety of neighbour-to-neighbour tasks.

To find out what a shift from unilateral beneficence to reciprocity might yield, the Institute worked with public housing residents in Washington to start a time dollar food bank.

There were many other places where residents could get free food – more and possibly better than what the Time Dollar Food Bank could make available. Nonetheless, with the Food Bank as a catalyst, 296 residents of eight public housing complexes have generated 78,540 hours of service during the past eleven months.

When reciprocity is combined with redefinition of work, the shift from rights to powers operates as a catalyst. It takes each act of contribution, confers on such acts the moral power of reciprocity, and then harnesses that power to give rise to an earned and justified expectation to which the social, political and legal order much fashion responses.

In one form or another, we believe that response will find expression in a recognised and protected claim to enjoy a decent standard of living, to fulfil oneself, and to enable one's children to fulfil their potential.

We think co-production supplies the elements needed to bring fruition to a vision: *To put within our reach the power to create a world where any person willing to contribute by helping another will be able to earn the purchasing power and status needed to enjoy a decent standard of living and the opportunity to learn and to grow.*

From Edgar Cahn, 'Unleashing a new social force called co-production', *News from the New Economy* supplement, March 2000.



**Ann Pettifor, Bernie Ward and Caroline Hill**

It was the year that NEF merged with the successful Jubilee 2000 campaign in 2001, providing them with a new global edge to NEF's message. It was also the year that NEF's Inner City 100 Index, with support from the Royal Bank of Scotland Group and the Financial Times, set out to prove that there are resources and imagination in inner cities if only business would look there. The Chancellor of the Exchequer, Gordon Brown, presented the main award.

Jubilee Plus, under Ann Pettifor, was available to tackle issues arising from the emerging financial crisis in Argentina, brought on by a mixture of poor IMF advice, bad loans and fraud. Their report *It Takes Two to Tango*, was Jubilee Plus' intervention in the debate – including a proposal for a bankruptcy procedure for nations that would be able to protect the people of Argentina from creditors in the same way that companies can be. The idea was taken up favourably – though in the wrong form – by the IMF and the US administration.

Meanwhile, NEF set up a programme looking at local money flows, aimed at creating a tool – subsequently named Local Multiplier 3 – that local authorities and others could use to distinguish between investment that just flowed away to outside contractors or consultants, and investment that stayed circulating in the local economy. The *Plugging the Leaks* programme, funded by the Countryside Agency, Esmee Fairbairn Foundation and the DETR, was fulfilling an ambition that went right back to TOES in the mid-1980s.

The passage below is from the *Plugging the Leaks* newsletter, and describes the results of one study in Cornwall.

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*It takes two to tango*

Argentina owes approximately \$121bn to creditors which include private banks like CitiBank, J P Morgan, the Bank of America, The Bank of Tokyo, the Chase Manhattan Bank, Chemical Banking Cor-

poration, Crédit Lyonnais, Credit Suisse, Dresdner Bank, Lloyds Bank, Morgan Guaranty Trust, Royal Bank of Canada and The Sanwa Bank.

Argentina owes approximately \$25bn to foreign public creditors. These include the multilateral banks: the IMF, the World Bank, the Inter American Bank – and bilateral (government) creditors. Since Argentina joined the IMF in 1956, she has borrowed money from the institution in 34 of the last 45 years.

Dodging the wrath of market forces International private creditors are mostly 'bailed out' from market forces, when countries get into difficulties with repayments. In Argentina they have been bailed out by the IMF, but also by the Argentine government, as we show below.

The IMF and World Bank are not subject to market forces either. They are state-backed institutions, with a professional staff immune to market forces and unaccountable to non-G7 members of their board and the people of debtor nations, who suffer the impact of their policies. IMF staff are on the whole only accountable to the US Treasury – if they are accountable at all.

The IMF and World Bank make substantial gains from lending to poor countries (enough to cover the administrative costs of high, tax-free salaries and a plethora of new buildings). However, because they are effectively nationalised and protected institutions, they are not subject to the risks and losses that in a market-based system are associated with such high gains. Their sovereign debtors, in contrast, are exposed to the full wrath of market forces.

Neither are these creditors disciplined by the rule of law. Because sovereign debtors are legally unprotected, minimum standards of the rule of law seldom apply to them.

In the absence of international law governing relations between creditors and sovereign debtors – in other words, in the absence of a legal framework for international insolvency, or damage compensation – none of these institutions, public or private, face the risk of legal or financial penalties for reckless, corrupt or illegitimate lending to sovereign debtors. Even damage caused by grave negligence does not affect the IFIs negatively. Perversely, one loan creating damage usually leads to another loan to repair the damage, which in turn leads to increased income streams.

According to market theory, if the link between economic decision-making and risk is severed, efficiency is severely disturbed. We agree, but would go further. If in a capitalist system the link between economic decision-making and risk is severed and if creditors enjoy

absolute power (as they do in Argentina) then corruption and incompetence becomes rife. The ruthless exploitation (of land and people) is greatly intensified.

Argentina is also not subject to the minimum standards of the rule of law. She is being penalised and further indebted by a court on foreign debt, run by creditors and based at the IMF. In this 'court' her creditors act as plaintiff, judge and jury. As a result there is virtually no limit on the interest rates they can set; on the conditions they can impose; and on the repayments they can demand.

### *Creditors and absolute power in the international financial system.*

This is the unpalatable truth about globalisation: it is the evolution of capitalism into a system of dominance by the few – those who have access to, and control over finance capital – but who are not accountable either to the market, to the rule of law or to democratic institutions.

It is this new, more virulent form of capitalism that has aroused such hostility and resistance across the globe.

Hostility to the IMF and World Bank stems from the role that major shareholders of these institutions (including finance ministers of the US, UK, French, Japanese and German treasuries) and their staff have played in promoting, facilitating and upholding the rights of finance capital over human and environmental rights. As a result, major shareholders and staffs of these institutions have presided over the degradation of economies and environments around the world; and the extraction, and transfer, of assets from the poor to the rich, from the south to the north.

To facilitate these transfers, the IMF and World Bank have presided over, and implicitly tolerated, the corrupt procurement of loans by government officials like the Argentine military; and the diversion of liabilities from private debtors to the Argentine government. In other words, the diversion of losses from private banks and companies to the taxpayers of Argentina.

From It Takes Two to Tango, Jubilee Plus/NEF report, London 2001.



## ***Plugging the leaks***

An economic measurement tool called the 'multiplier' is a useful way to calculate the overall impact of spending money in the local economy. In a community in which all the money that enters the economy immediately leaves it again, the multiplier will be only 1. If a pound enters such an area, only the original owner benefits.

In a healthy community where money is re-spent over and over again, the multiplier is much higher – many people benefit from the first pound before it eventually leaves the community. Plugging the Leaks is all about communities trying to increase the number of times money changes hands before leaving the area.

## ***Demystifying the Local Economy***

A key part of Plugging the Leaks is simplifying economic language. We use simple tools, visual aids and analogies to help people understand their local economy, such as the 'leaky bucket'. Others include:

1. The Regeneration Umbrella and Funnel: Is your regeneration funding being poured into an area, only to flow straight out again? If so, it's as if there is an umbrella covering the area, so funding flows off the edge into the richer surrounding areas. Do all those housing improvement contracts go to firms outside the area? Or is money being poured carefully through a funnel, so that most of the money actually stays in the poorer areas?

This approach has raised the eyebrows of many a regeneration official – especially those responsible for local economic development. The idea helps them to encourage their colleagues in other teams to use all budgets – be it health, education or construction – for increasing local employment and enterprise development.

2. Are the businesses in your area bathtubs, hoovers or dustbins? Bathtubs collect and re-circulate money in the local economy – employing local people, buying local goods and services, and keeping profits locally. Hoovers may employ local people, but they also take money from the local economy and deposit it elsewhere. Dustbins exploit a local resource: they may employ local people, but they disturb the

social or environmental fabric of the area while sending profits elsewhere. So the trick of sustainable local economic development is to focus on the creation of bathtubs, build in as many bathtub-like qualities to your hoovers as possible and to avoid dustins at all costs.

If you have any visual images that demystify the local economy, please let us know!

### ***Measuring the local multiplier of an organic box scheme***

Ten pounds spent in a local organic box scheme in Cornwall generates around £25 for the local economy – compared to approximately £14 for spending in a typical supermarket. This means that spending money in a local food initiative is nearly twice as beneficial for the local economy as supermarket spending in terms of local money flows. If you add to this the advantages in terms of environmental benefits – it is not hard to see why local food initiatives are so important for local economies.

Those are the findings of NEF's first local money flows measuring pilot. Tim Boyde, a local resident involved in Cornwall Food Futures, carried out the study. He was frustrated by seeing Scottish shortbread sold to Cornwall's millions of tourists and decided to measure the significance for Cornwall's economy of sourcing and buying locally.

To produce the results, local resident Tim Boyde spent two months tracking the finances of a Cornish vegetable box scheme, Cusgarne Organics, based near Truro. The study followed the trail of the box scheme's income to monitor exactly where its turnover was spent, how much of it was local expenditure, what happened to this money at the next level of spending and so on. A key part of the study involved tracking the spending patterns of Cusgarne's staff and suppliers.

The study has already been making waves down in Cornwall. The report concludes that if every person, tourist or business could switch just one percent of their current spending to local items or services, that would put £1 million extra directly into the local economy every week.

That's £52 million each year, more than Objective One (£48 million per year) and that is just the direct effect. Using the multiplier we have calculated, the total impact could be as much as £130 mil-

lion pounds each year.

On reading the study's findings, the owners of the box scheme have switched to a local organic cheese producer as a result of being able to really see what a difference it makes to the local economy when you shop locally.

Reaction to the study has been highly positive. Ed Mayo, director of the New Economics Foundation, stated that the study proves that: "Big schemes are not the only path to development, a very important way to revive the rural economy is with small, patient initiatives that keep money local."

Jade Bashford from the Soil Association's Food Futures programme added: "Organic farms that sell locally, like Cusgarne Farm, are profoundly beneficial. As well as providing the highest quality food, they benefit the environment and build communities. New Economics Foundation have now shown how enterprises like this regenerate local economies too, and much credit is due to them for this innovative report."

From Plugging the Leaks Newsletter, Edition 3, NEF, July 2001.

**Andrea Westall, Alex Macgillivray, Gareth Potts and Polly Raymond**

Through the summer months of 2001, while the Enron and the corporate accounting scandals were looming unseen across the Atlantic, NEF's policy director Andrew Simms was coincidentally working on a report entitled the *Five Brothers: the rise and nemesis of the big bean counters*.

It was published just as the full scale of the Enron scandal was becoming clear – and contributed later in the year to getting NEF voted Think Tank of the Year.

NEF was also making a major contribution to the emerging debate about mutualism, especially mutual public services – following on from the launch of NEF's joint website with the think tank Mutuo, [www.the-mutual.state.org](http://www.the-mutual.state.org), and Ed Mayo's pamphlet *The Mutual State*. NEF's work on mutual public services made a dramatic entry into the government's programme with their new policy on Foundation Hospitals – a new generation of locally-managed, locally-owned mutual institutions. It's a controversial policy – partly because very small changes can shift it from a genuine experiment in local control into something that remains controlled and handcuffed by the Treasury. Watch this space.

The first passage below is taken from NEF deputy director Andrew Westall's speech at the Liberal Democrat conference in Brighton in September, drawing together some of NEF's recent thinking on mutualism and localism.

The second is from the report of the second year of Inner City 100 awards, which introduced the Impact Index, demonstrating that many of the most successful entries in Britain's inner cities were actively engaged with the local community as a major resource that underpinned their success.

### ***Real devolution***

If we are to think about real devolution and about ways to increase participation in the political process, we need to recognise that it is

not enough just to consult or even represent citizens, but to engage people actively in creating local strategies, decision-making and responsive local services.

We are therefore talking about:

- Local **governance** and not just local government.
- **Real participation** in decision-making by citizens.
- Methods of local financing that go beyond limited powers to raise money locally to **innovative forms of social investment**.
- **New models of public service delivery** that engage people in co-production of their own services and strategies.

In order to underpin all this activity we also need to have shared knowledge of what is going on in local communities – not just economic activity – but levels of social capital, of shared resources and community assets. It also means finding new ways to measure local outcomes which are relevant to the sustainable development of local communities.

### ***Participation and local governance***

Rethinking local government and participation involves moving away from the idea of local politicians as representatives to considering their role as facilitators of processes by which citizens can contribute their knowledge and experience and have their say.

We know that people are disengaged from politics and from political ideas. Perry Walker from NEF describes in his book *We, The People*, how a newspaper poll found that fewer than one in 20 people could explain Labour's 'Third Way'. Some thought it was a religious cult, others a sexual position and one man asked if it was a way to widen the M25.

But engaging people in political decision-making and action is possible but involves trusting people. And there are also benefits. Some recent research in Switzerland actually found that life satisfaction was positively related to increased possibilities for participation in decision-making. In fact, a one-point increase on a scale of participation led to an increase of 2.7 per cent who said they were happy. That's an equivalent increase in happiness from moving from the lowest to the highest income level band.

Deliberative techniques have also been found to expand people's horizons and involvement in their local community. For example,

people who have taken part in the US National Issues Forums say that they have become more involved in civic activities as a result. In the UK, citizen's juries, where representatives of the community discuss issues with expert witnesses, have created increased empowerment and self-confidence amongst those who have taken part. Other recorded effects include increased tolerance and a reduction in stereotyping – crucial needs in some of our local communities.

Participation can also improve the quality of decision-making. In some work undertaken by NEF in Merthyr Tydfil – it took a survey by local schoolchildren before a reliable picture of local crime could be established. People were more prepared to tell children the truth.

Some local authorities have taken the plunge and engaged citizens in meaningful and binding decision-making. In Milton Keynes, for example, the council went so far as to commit to abide by voters preferences on three different tax and spend levels. As many as 46 per cent of people cast their votes compared with 26 per cent in local elections.

The role of elected representatives here is to aid the process of deliberation and, if required, to balance and judge differing views. Fuller discussion of issues leads to better understanding of trade-offs and therefore the ability to engage with difficult decision-making, for example, over genetic testing or local provision of health. It can also lead to greater local commitment.

But engaging people in decision-making may well also require rewards, for example, through some kind of participation income. Perry Walker also suggests in his book that more public positions, such as school governors, could be chosen by lot.

### ***Local financing***

The recent Draft Local Government Bill set out ways in which local authorities can increase their ability to hold onto and to create revenue streams and to borrow for capital investment. The Local Government Association particularly has argued that this is still not enough – that there is a need to increase the democratic accountability of local taxes by allowing, for example, the retention of non-domestic taxes, reducing the number of ring-fenced grants, and by allowing borrowing for revenue costs and not just for capital projects.

The new Public Service Agreements will enable some new and

innovative flexibilities in finance raising. Camden Council, for example, has a road lane rental scheme where utilities companies have to pay a daily charge for digging up the roads. This both cuts the time the companies spend disrupting the traffic and also creates revenues which can be used to decrease traffic congestion. Other similar ideas have been suggested including new local environmental taxes or broadening the idea of Business Improvement Districts.

There are also other ways – perhaps more voluntaristic – which enable local investment through, for example, local bonds. Keynes called this social investment – the reconnecting of local citizens and business with public services and expenditure. There is an example in Sheffield where over £1 million was raised through an employment bond to support job creation. Such bonds might be problematic for small communities but the fixed cost of issuing bonds could be spread regionally or nationally through ‘bond banks’ – a special kind of financial intermediary.

### ***Mutuality in public service delivery***

Over the past couple of years, NEF has been promoting the idea of mutuality in public service delivery – in other words, ways in which citizens are more fully involved in designing and delivering public services. This idea is more formally known as ‘co-production’. From health, to education and to refuse collection there is a variety of examples, both here and abroad, of the benefits of real engagement of citizens in design and delivery of services.

Many such examples are run as social enterprises – an organisational model where social and public aims are at the heart of the organisation and where trading in goods and services allows these goals to be achieved. These models also reflect the ability to internalise public service excellence rather than contracting for it.

One example is Bulky Bob’s – a social enterprise refuse collection organisation in Liverpool which also creates jobs and training for local unemployed people. There are also examples in elderly care where users are co-owners and designers of services together with other stakeholders. There are also examples in leisure where services have moved from local authority control towards some form of community ownership and where in the best examples, users are involved in designing appropriate services. The benefits of this approach range from re-engaging citizens, to better outcomes and increased freedoms for managers and employees, to the ability to

design responsive and innovative local services.

Another example comes from education. In Kingsdale School in South London, children and staff helped to redesign the school and design their own indicators of what success should be. Kingsdale had been designated a problem school and the redesign was instigated to help increase a sense of well-being. This is a test case – we don't yet know yet if this has worked.

But we do know though that time banks have worked. NEF has helped to set up initiatives where people in local areas can exchange their time and skills. A time broker matches people's skills with local needs. Such networks can help to create communities and increase trust, to re-engage people into society and to allow clients, tenants and pupils to become equal partners in delivering health and education.

One time bank in London is based in a health care centre. It can 'prescribe' friendly visits for elderly patients or small home repairs. They have noted positive health effects through the way in which time banks can reengage people with long-term depression into the community, reducing their dependence on medication and the health service.

If these mutual models of service provision were to become more widespread, the local authority would cease to be a provider but rather a facilitator of service provision. This role has already been taken up by several local authorities. Nottingham City Council for example, has become a 'market-maker' promoting the creation of new social enterprises in order to help create appropriate kinds of providers of care services that engage users. The role of central government would become that of democratic guarantor, regulator and resource provider.

### ***New forms of measurement and knowledge creation***

NEF has done a great deal of work to find new measures which enable communities to identify broader issues and needs than just economic activity, for example, social capital, quality of life and well-being. We have also developed a technique which allows you to measure the economic impact of different activities on the local economy, therefore helping to design new ways of attracting and retaining money within an area. Such work has shown for example the impacts of a local organic box scheme or of a public procurement decision on wealth and job creation in a particular local area.



We have also set up a localism campaign, to support efforts to concentrate on maximising local well-being and sustainability. A key part of this initiative is a Local Sustainability Bill which was introduced in the summer and which asks local authorities to draw up plans for local and regional sustainability and to set attainable targets using local indicators. Sustainability in this context reflects the promotion of local economic needs, environmental impacts and political and social participation of the community.

But all of this raises questions that require further work including:

- The constant challenge of creating equitable access to services and common minimum standards across the country.
- The need for elements of redistribution to continue and to support those areas that do not have the ability to raise local revenues because of low levels of economic activity.
- Challenges of managing and leading in a situation where delivery and decision-making comes more through networks and partnerships. This involves new skills and management techniques that have already been recognised and developed through, for example, the New Commitment to Regeneration and local strategic partnerships.
- Of creating models of accountability that move away from just upwards accountability to central government but to horizontal and downwards accountability that involve all key local stakeholders.

This devolution agenda is not just about local authority services and powers but also about other public agencies such as the Small Business Service and also the activities of local businesses and of local third sector organisations. The Inner City 100 initiative by NEF, and other work on business activity in deprived communities, shows the critical importance of engaging local people and businesses in creating their own solutions.

These ideas create huge challenges for central and for local government. The key difficulties and questions relate to who really owns the solutions, the ideas, who claims the credit or who takes the blame – in a situation where accountability, decision-making and power are distributed between different local players. It is easy in such situations to fall back on clear centralised programmes and initiatives but a commitment to devolution requires that these issues are tackled.

From Andrea Westall, 'Real Devolution', Speech to the Liberal Democrat part conference fringe, Brighton, 23 September 2002.

### ***The impact index***

Some businesses are hermetically sealed from their surroundings, whether that is the inner city or a home counties science park. These businesses contribute little to the local economy: workers drive in each morning, eat sandwiches at their desks, and leave each evening with barely a ripple on the host community.

In contrast are businesses that employ local people, contribute in cash or in kind to local community activities, buy from local suppliers and seek out local customers. In the jargon they are 'embedded' in their local communities.

We wanted to find out how many of the Inner City 100 are embedded like Sheffield Rebuild, and how many are spectators. So we devised an Impact Index by collating the answers to five questions on interactions with the local community. The five components of the Impact Index are:

- What percentage of your workforce live within one mile?
- In what ways does your company contribute to the local community?
- What is a realistic financial value of your contributions to the local community?
- How important are under-served local markets important to your business?
- What percentage of your purchases come from the immediate locality, city and region?

### ***Sheffield Rebuild***

Not-for-profit construction company Sheffield Rebuild's unique approach to training and supplier relationships incorporates a strong, long-term commitment to the local population. Good training is long-term according to development director Gordon Wordsworth. "We're not a high volume trainer. We pick up on the stuff that the college course sausage machines don't. We don't do short term."

Admittedly it's not an easy field of training: "In some cases we

even have to train them to get up for work in the morning.” The business model is based on subsidisation of around £7,000 per individual for the two to three year scheme that comes from profit.

But the business is agile and open to opportunities. In a trade dominated by the archetypal white male builder, Sheffield Rebuild has taken a careful look at the barriers faced by ethnic groups and women. “There are many highly skilled asylum seekers out there willing to do the work that others aren’t – we can fill the skills gap.”

Wordsworth’s ability to grasp rich opportunities like these comes from a long history of involvement in both the community and the construction industry. In construction all his life, he became involved in self-build co-operatives at one stage. This model, he says, caught the attention of big clients: “People saw that projects could be completed on time with local workers.”

The company’s commitment to the local community goes further than employees. “We’ve encouraged a partnership approach within the deprived communities, particularly in the development of managed workspace.

We drive further opportunities through the supply chain and can bring in local sub-contractors when required. “It’s not just our company but others that can succeed,” says Wordsworth.

This attitude pays dividends, according to Wordsworth, who claims the company is insulated by the trust it has built up in the community. “When we had problems with cash flow, we found that people refused to see a company like ours fail. We’re treated with a long term mentality, the communities trust us and in turn there’s much more trust from lenders too.”

Answers to each question were scored from 0-5, and equally weighted into a single index. We found that over half the Inner City 100 (52%) are making significantly positive impacts on the inner city. Of these, 14 companies like Sheffield Rebuild, APL Training Services and Aslam’s Beautiful Interiors have a particularly strong positive impact. The Inner City 100 are putting over £70 million (over 10 per cent of turnover) directly into the poorest inner city areas around them in wages, local purchasing and community giving. We also found that:

- High growth companies are just as likely as lower growth companies to make strong contributions: Live Information Systems makes as big a contribution as the Glasgow Simon Community while it has growth ten times faster.

- Social enterprises like Greenwich Leisure perform well on the Impact Index, but so too do straight-up for-profit enterprises like Acre Lifts.
- The Inner City 100 compare favorably with Britain's richest firms in terms of community giving as a percentage of pre-tax profits. Four of the Inner City 100 rank would rank among the top ten of the FTSE100, each giving over two per cent of pre-tax profits.
- However, 17 per cent of the Inner City 100 are not making particularly significant impacts – or at least, are not reporting them. There are no sectoral or regional patterns to positive impact.
- As the graph below illustrates, there is no simple correlation between growth and impact. Instead, there are three routes for inner city enterprise:
  - A minority of enterprises which are unlikely to increase their contributions as growth increases (the 'inner city spectators').
  - A significant group for which positive impact and business success are chicken and egg (the 'inner city strategists').
  - A larger group who make positive contributions though these are not inherently linked to growth (the 'inner city saints').

### ***Turnover growth vs inner city impact***

This graph shows there is no simple correlation between growth and impact. Instead, there are three routes for inner city enterprise: A minority of enterprises which are unlikely to increase their contributions as growth increases (the 'Spectators' on the left). A significant group for which positive impact and business success go hand in hand (the 'Strategists' in the middle). And a larger group who make positive contributions which are not inherently linked to growth (the saints on the right).

So what can be done to reward the saints, learn from the strategists, and encourage the spectators to put a little more back? NEF believes that the Inner City Impact Index, the first effort at measuring the benefits of inner city business, helps to emphasise the importance of making a positive contribution. So congratulations to Sheffield Rebuild, which has made the greatest positive impact this year on its local community.

But these impacts are worth more than words. Central and local government are making huge financial savings as a result of the pro-

gressive policies of many inner city enterprises: lower crime and unemployment, community empowerment, reduced congestion, economic regeneration. The potential for tax credits and business rate reductions for companies that perform well on the impact index seems well worth examining.

But there is a long way to go before rank and file inner city businesses can boast such positive impacts. There is clearly a significant role for councils, chambers, RDAs, the SBS and DTI, as well as industry bodies like the Federation of Small Businesses and British Standards Institute, to take a proactive stance on individual components of inner city impact. Inner city enterprises are well placed to benefit from buy-local schemes, although such schemes to date have mainly been promoted in rural areas.

Businesses also deserve support when they become major employers of local residents, and also deserve recognition for their community involvement.

### **Summary**

This chapter shows that the inner city conveys important advantages both in terms of its physical and social capital. The Inner City 100 firms cut through the poor perceptions based on crime, poor premises and transport gridlock to capitalise on employing unskilled and skilled workers, proximity to customers and suppliers, availability of premises, and networks and business support that are close at hand. The Inner City 100 blow hot and cold, though, about public advice networks.

This chapter shows that the relationship between inner city and enterprise is reciprocal. These companies are making major economic and social contributions to their host communities, and could do with some help and recognition to enable them to carry on doing so. It would be disastrous for the inner city if they chose to relocate to some orbital business park.

From Alex Macgillivray, Gareth Potts and Polly Raymond, *Secrets of their Success: Fast growth business in Britain's inner cities*, NEF, London, 2002.

**Molly Conisbee, Andrew Simms and Julian Oram**

In *Green Cities*, David Nicholson Lord attacked the orthodoxy that Britain's housing crisis could be tackled with more high density living in cities. It came out as plans for the further expansion of London along the Thames Gateway went public. The debate around climate change continued to heat up, literally and metaphorically, NEF published *Degrees of Capture* with Platform and CorporateWatch to expose the oil industry's penetration of universities' research departments.

In *Peoples' Pensions* Richard Murphy advocated solutions to the growing pensions crisis. And David Boyle entered the debate on the euro in *Beyond Yes or No* with a proposal that multi-level currencies could break the deadlock in debate over whether our future should be with the pound or the euro.

But 2003 became the year in which the idea of 'local' moved to the centre of political debate. Companies were fighting through the courts over the right to call themselves local, people at the top of the government were promoting their version of localism, and campaigners were turning to 'localisation' for solutions to the problems of globalisation.

Regardless of goodwill and countless government initiatives aimed at regenerating poor neighbourhoods, NEF showed in its report *Ghost Town Britain* that long-term decline was hollowing out local economies all over Britain.

Shops, banks, post-offices and pubs were closing at a dramatic rate, and the prospect of negative 'tipping points' stood to leave many areas as ghost towns. In reaction, NEF led the creation of a new campaign coalition called Local Works to push positive solutions and support a new local sustainability bill through parliament.

Shortly after a new threat emerged to community pharmacies through a proposal from the Office of Fair Trading (OFT) to deregulate the sector and allow supermarkets free reign in the market. NEF produced a follow-up report called *Ghost Town Britain: A lethal prescription*. Within days Patricia Hewitt, Secretary of State for Trade and Industry declared that the Government would not be following

the OFT's proposals.

This section is taken from the report *Ghost Town Britain*.

### ***Trouble in store***

“One ordinary morning last winter,” wrote the urban planner Jane Jacobs 40 years ago, “Bernie Jaffe and his wife Ann supervised the small children crossing at the corner [on the way to school]; lent an umbrella to one customer and a dollar to another; took custody of two keys; took in some packages for people in the next building who were away; lectured two youngsters who asked for cigarettes; gave street directions; took custody of a watch to give the repair man across the street when he opened later; gave out information on the range of rents in the neighbourhood to an apartment seeker; listened to a tale of domestic difficulty and offered reassurance; told some rowdies they could not come in unless they behaved and then defined (and got) good behaviour; provided an incidental forum for half a dozen conversations among customers who dropped in for oddments; set aside certain newly arrived papers and magazines for regular customers who would depend on getting them; advised a mother who came for a birthday present not to get the ship-model kit because another child going to the same birthday party was giving that; and got a back copy (this was for me) of the previous day’s newspaper out of the deliverer’s surplus returns when he came by.”

Jane Jacobs was writing about the bustling sidewalks of early 1960s New York, but the range of tasks would sound familiar to many of the UK’s remaining small retailers, as would the fact that most of these activities – while plainly adding to economic vitality and social capital – fall way outside the ‘core business’ of most small shops. Yet the integral function that these local economic institutions currently play in our daily lives could soon be a thing of the past.

The number of towns and villages with a local shop is already on a steep downward curve, and the decline could well accelerate in the next few years. From 1980 to 2000, VAT registered retail outlets have fallen from 273,000 businesses to 201,000, a steady decline in the 1980s that accelerated in the 1990s.

Because of demographic changes over this period, the change per thousand adults was even more dramatic, from over six shops per thousand adults in 1980 to just over four today. Following current trends, Manchester School of Management predicted that there

might not be a single independent food store left in the whole country by 2050.

But specialist food shops are not the only local economic institutions disappearing from the nation's high streets. Britain has lost a quarter of its bank branches since 1988, with the heaviest losses coming in small towns and villages. Our post office network remains one of the biggest in the world, but it too has contracted by 10 per cent in the last ten years.

Rural areas have been particularly hard hit, while urban post offices – which provide essential public services – have been left to compete unaided with the big supermarket chains. Even the pillar of community social life – the local pub – is under threat. In rural areas, the problem is so bad that six village locals are closing every week across Britain, and 6,000 are expected to close by 2006. At every turn, Britain is systematically failing to meet the needs of small retailers.

We have blithely allowed our town centres to fall into terminal decline. Shops have been boarded up, banks have withdrawn, pubs and post offices have closed. At best, the buildings have been converted into yuppie flats and brasseries. At worst, they remain boarded up and unoccupied for years, covered with a growing incrustation of fly-posters and graffiti. As a result, an increasing number of communities are left with just one local business, often a pub or general store combined with a sub-post office.

When the next swathe of shops go, Britain will inherit a whole generation of ghost towns – communities that have lost a vital part of their economic or social fabric. Places such as this are appearing throughout the country, but are particularly prevalent in coastal areas, market towns and certain urban neighbourhoods, where the service economy played a particularly vital role in the community that has been left unfilled by other industries.

This void can be manifest in several ways. In some ghost towns, the symptoms are evident through the job losses and economic decay resulting from the slow death of local shops, pubs post offices and bank branches. In other areas, the decline of local services may have had no impact on the overall prosperity of the community, but will have created a sense of isolation, loss of community, higher crime and social exclusion.

This is not a sentimental plea for the preservation of Britain's cultural identity, or a warning about the decline of Olde England in the face of a world converging towards a single market and a single set of cultural, political and economic values. It is a wake-up call to



remind ourselves about the real value of what is being lost.

Every ghost town represents a missed opportunity to maximise the social capital, skills and economic contribution of an area. Furthermore, local services and small retailers represent the backbone of the community in many of Britain's market towns, villages and urban neighbourhoods.

The demise of local shops, post-offices, bank branches, pubs and even transport services is also disastrous because of the role they play in maintaining our connection to our neighbours, as well as in providing the social space for sharing of news and information – particularly for groups such as single parents, the disabled and the elderly.

This report uncovers for the first time the full story of the decline of local shops and other local economic institutions.

From *Ghost Town Britain*, New Economics Foundation, 2003.