

An Economics for Well-Being

This Backgrounder is part of CED's on-going exploration of the meaning and practice of Structural Transformation.

For us this transformation is the next, natural, stage of human civilisation not a utopian or sudden radical reinvention.

An Economics for Well-Being focuses on the kinds of economic structures that could truly revitalize and enrich people at *all* levels of society. The thinking in the 'New Economics' stream is an important aspect of the global quest for systems that are socially just and ecologically sound.

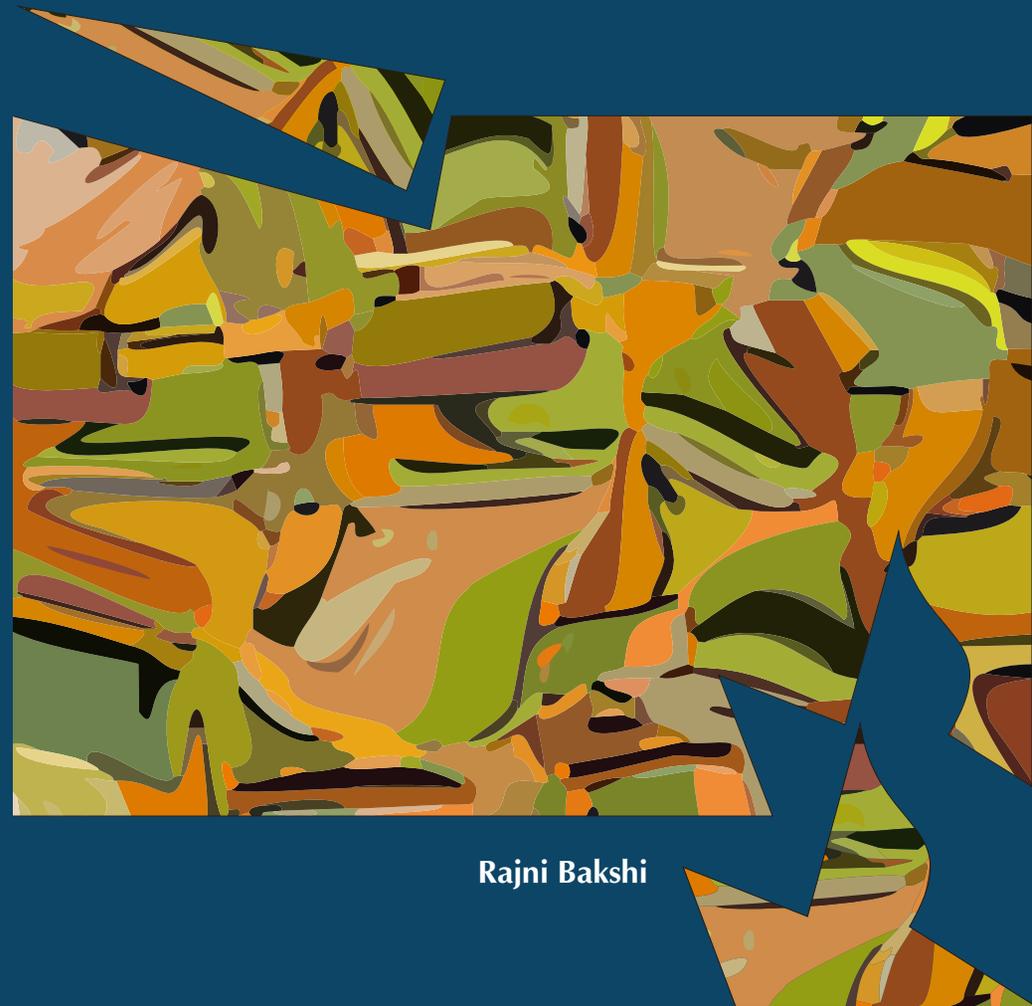
The ultimate purpose, well-being of all citizens, may seem to be very far in the future. Yet, as this backgrounder shows, there are a wide range of initiatives in the here and now which are the next few steps helping us to move in that direction.

The hope is that this backgrounder will help to inform and enliven the process of making breakthroughs in our systems of production, technology, exchange of goods and, above all, the meaning and uses of wealth.

Rajni Bakshi is an activist cum journalist and a long time associate of Centre for Education and Documentation.

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CED

Centre for Education & Documentation
Mumbai & Bangalore

CED

Centre for Education & Documentation

Published by

Centre for Education & Documentation

3, Suleman Chambers, 4 Battery Street

Mumbai 400 001

Email: cedbom@doccentre.org

No 7, 8th Main, 3rd Phase

Domlur 2nd Stage, 3rd Phase

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Copy left: 2007

*With a special thanks to the Homi Bhabha Fellowship Council and
Sir Ratan Tata Trust whose financial support made this research possible.*

Design and printed by:

Focus Communications

140/2, 8th Cross, Malleshwaram

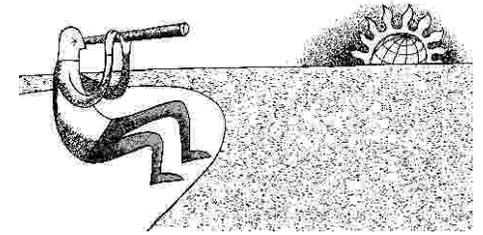
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Preface



Over the last few years, the critique of market driven globalization has been presented in great detail from many different vantage points. This backgrounder explores some dimensions of the search for alternatives.

‘Another world is possible’ is a slogan that conveys some of the passion behind this search. This is also the motto of the World Social Forum gatherings, which have now become a sustained global process with regional and local roots. To what extent is this an expression of wishful thinking, a dream, and to what extent is it a claim that can be substantiated? This booklet, exploring how ‘Another World is Possible’, serves as both a statement of intent and a pointer to conceptual as well as practical work in different sectors. There is no ready-made single model for that ‘other’ – more egalitarian, just and ecologically sustainable – world. But there is a wealth of scattered, partly coalescing and rapidly evolving trends that can give hope.

The closing decades of the 20th century were dominated by the pervasive power of the TINA doctrine, namely the claim that ‘There Is No Alternative’ to the magic of the free market. Opposition to the expanding power of global capital found dramatic expression at the massive street protests against the World Trade Organization at Seattle in 1999. The subsequent rise of the World Social Forum from 2001 challenged the TINA doctrine with the counter claim that ‘There Are Many Alternatives’ (TAMA).

However, for the ‘TAMA’ claim to be meaningful, it is important to question and challenge some of the fundamental premises of the prevailing dominant framework of economics. Otherwise, TINA does indeed seem to be an undeniable truth. The term TAMA can apply to a wide variety of innovative and transformative initiatives. This includes a brilliant array of pioneering work on technologies that are decentralized, people-empowering and ecologically sustainable. However, in this booklet we will focus on the emergence of New Economics thinking and some examples of how it is working in action.

The popular slogan Another World is Possible has inspired a whole website:

Excerpts from:
ANOTHERWORLDISPOSSIBLE.ORG
A truly voluntary and nonviolent one!

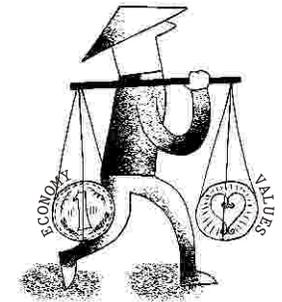
'Another world is possible' is a phrase used by those who, no matter their good intentions, effectively would force their socialist-oriented ideology on others through state violence. Many of these people also condone street violence by refusing to condemn those who would use "a diversity of tactics." This destructive tendency also infects too much leftist "peace" organizing, which is why we need a truly nonviolent peace movement.

This page is dedicated to creating another and better world through nonviolence, a world ruled by voluntary agreement – not force in the name of ideology. There is nothing wrong with voluntary socialism or with voluntary capitalism/free markets/free enterprise. It is the threat of state violence to enforce these that is the problem.

<<http://www.anotherworldispossible.org/>>

Contact: info@anotherworldispossible.org

Introduction



“The fundamental problem...is to find a social system which is efficient economically and morally.”

– J. M. Keynes, 1925
[quoted by James Robertson in *Creating New Money*, p.31]

“The economy, during its rise to the top, has stamped out the alternatives to itself and created a wasteland for modes to secure a livelihood which are not hazardous for man and nature. How is it possible to reinvent economic institutions that allow people to live gracefully without making them prisoners of the pernicious drive to accumulate? Maybe there will be more creative power in the Third World to meet this historical challenge. Simply because, in spite of everything, many people there still remember a way of life in which economic performance was not paramount.”

– Wolfgang Sachs, 1992
[from 'The Economist's Prejudice' in Paul Ekins and Manfred Max-Neef, eds., *Real Life Economics: Understanding Wealth Creation*, p.8]

The term 'New Economics' is in no way related to the catch phrase of the early 21st century, namely 'New Economy'. New Economics broadly refers to multiple streams of thought and action that point out fundamental conceptual flaws in traditional economic frameworks of both the capitalist and communist variety.

At the middle of the 20th century, the term 'New Economics' referred to the ideas and prescriptions of John Maynard Keynes.* Today, 'New

* John Kenneth Galbraith has recorded how the Kennedy Administration was committed to a New Economics that included a steady expansion of the total output of the economy, an accompanying high employment and stable prices. [Seymour E. Harris, ed., *The New Economics: Keynes' Influence on Theory and Public Policy*, New York: Alfred Knopf, 1947]

Economics' refers to several streams of change which either reject or go beyond the solutions outlined by Keynes.

'New Economics' is more a process of intermingling challenges to conventional economics than an ideology. It draws on the legacy of those who have aimed to forge an 'economics as if people mattered'. Today this is a challenge of bringing the material arrangements of life and society more in line with systems that are both equitable and ecologically sound.

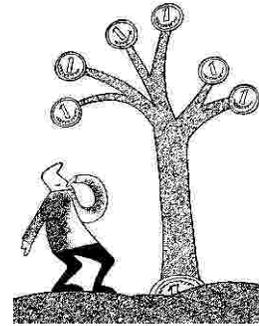
Dr. Wolfgang Sachs is head of the crosscutting project "Globalization and Sustainability" at The Wuppertal Institute in Germany. For more information, see <<http://www.wupperinst.org/staff/en/sachs.html>>

Conventional economics has been studiously blind to moral values and ecological perspectives. By encyclopedia definition, classical economics is the "study of how human beings allocate scarce resources to produce various commodities and how those commodities are distributed for consumption among the people in society. The essence of economics lies in the fact that resources are scarce, or at least limited, and that not all human needs and desires can be met. How to distribute these resources in the most efficient and equitable way is a principle concern of economists." [Columbia Encyclopedia, 6th edition (New York: Columbia University Press, 1993)]

What the encyclopedia does not tell you is that this particular definition is just two hundred years old. Human beings have much longer practice in garnering resources to ensure material well-being. In this elementary sense of 'economy', we have been at it for roughly ten thousand years. But in most earlier arrangements the material and economic dimension of life was governed by multi-layered social and cultural mores that often provided the context in which supply and demand played themselves out. Society governed the economy, not the other way around. The various streams of 'new economics', 'humanist economics', 'ecological economics' are essentially part of a much wider process to embed the economic processes in social and ethical frameworks.

Fundamentally, this means challenging the notion of Homo Economicus as the insatiable being. To illustrate the anomalies created by this worldview, Robert Kuttner, the American business writer and author of

Everything for Sale, quoted the following song:



"Love is something if you give it away
Give it away, give it away
Love is something if you give it away
You end up having more.

It's just like a magic penny
Hold it tight and you won't have any
Lend it, spend it and you'll have so many
They'll roll all over the floor."

- "Magic Penny", a song by Malvina Reynolds

Here, says Kuttner, is the antithesis of the economic model that depends upon scarcity in market exchange. Within that frame it is absurd, even impossible, to conceive that you can get more of something just by giving it away, spreading it around. Fortunately, to most ordinary people, it is clear that both love and that 'magic penny' are magical precisely because they are not commodities 'for sale'.

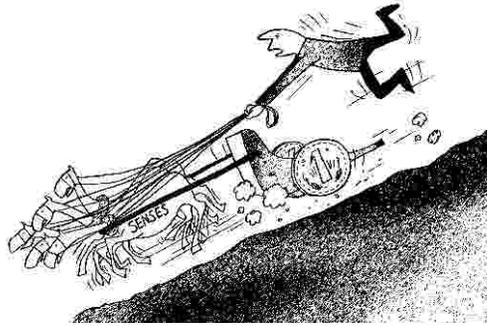
For more information on Kuttner and his writings, see <<http://www.prospect.org/web/page.ww?name=View+Author§ion=root&id=93>> [C.eldoc1/0703/NE1_Kuttner_writings.html]

In *For the Common Good*, the economist Herman Daly and the theologian John Cobb note:

"We believe human beings are fundamentally social and that economics should be refounded on the recognition of this reality. We call for rethinking economics on the basis of a new concept of Homo economicus as person-in-community."

It is the homo economicus model that has made 'efficiency' a veritable mantra of the industrial era. Any machine, process or work pattern that allows you to do something faster, with less effort, is automatically deemed to be more efficient. But, as Hazel Henderson, the futurist and counter-economist, has pointed out, "...efficiency is either a value-laden or a meaningless term unless one inquires, 'Efficiency for whom? Efficiency in what time-frame? Efficiency at what level in the social system?' For example, is it individual efficiency that ought to be maximized, or is it corporate efficiency, social efficiency, or ecosystem efficiency? Each would require a different policy." [Hazel Henderson, *The Politics of the Solar Age: Alternatives to Economics.*]

There is now a growing body of work, even within mainstream economics, which shows how the discipline is out of synch with the multi-layered complexity of human nature and human motivations. The source of the problem lies in classical economics' notion of homo economicus or the self-aggrandizing individual as the base unit for economic theory. For instance, Mark Lutz argues that:



“Modern economics is the science of self-interest, of how to best accommodate individual behavior by means of markets and the commodification of human relations. Much of it still reflects the particular philosophic tradition of British culture inaugurated by Hume and his followers. In this economic world view, the traditional human faculty of reason gets short-changed and degraded to act as the servant of sensory desires. There is no room for logic of human values and rationally founded ethics. Human aspirations are watered down to skillful shopping behavior and channeled into a stale consumerism. One would think that there must be an alternative way to conceptualize the economy.” [Mark Lutz, Economics for the Common Good: Two centuries of social economic thought in the humanistic tradition London/New York: Routledge, 1999; p. ix - x]

Mark A. Lutz is an Emeritus Professor of Economics at the University of Maine and the author of Economics for the Common Good. For further details, see <http://en.wikipedia.org/wiki/Mark_Lutz> [C.eldoc1/0703/NE1_Mark_Lutz.html]

Similarly, James Robertson, one of the leading thinkers in New Economics, insists that “economics can never be an objective science that is value-free. (...) It must recognize that, because human beings are moral beings, the basic questions about economic life are moral questions.”

(For more information, see <<http://www.jamesrobertson.com/index.htm>> [C.eldoc1/0103/NE1-james-robertson.html])

There is a wide range of efforts now challenging conventional economics, many of which diverge in their prescriptions for a more meaningful economics. But the starting point of virtually all these challenges is ‘economics as if people mattered’ – the sub-title of Schumacher’s Small is Beautiful. These are attempts to forge, what Theodore Roszak described in his introduction to Small is Beautiful as “a nobler economics that is not afraid to discuss spirit and conscience, moral purpose and the meaning of life, an economics that aims to educate and elevate people, not merely to measure their low-grade behavior.”

New economics is fundamentally a response to the fact that conventional economics:

- Defines economic progress in ways that are destroying the very ecosystem that is its base.
- Fosters progress of a kind that systematically transfers wealth from the poor to the rich.
- Fails to see that the era of the ‘wealth of nations’ is over and the time has come for what James Robertson has called, “a one-world human community”.
- Virtually excludes ethical and spiritual values from the center of economic life.
- Is rooted in the mechanistic and reductionist approach of the Western scientific paradigm.

Consequently, as Manfred Max-Neef has said, it is self evident that we need a radically new economic rationality. This objective will not be served by merely getting the existing economic paradigm to be less growth oriented. The key challenge is to design an economics in which the development process is defined by sustainability, equity and participation.

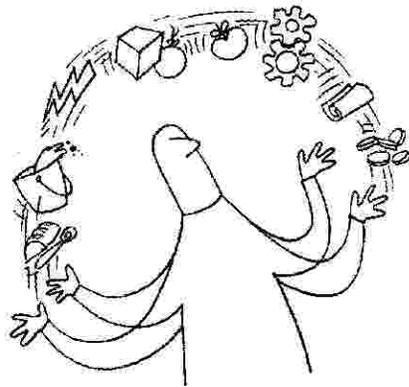
Manfred Max-Neef is a Chilean economist and ecologist who won the Right Livelihood Award in 1983. <http://en.wikipedia.org/wiki/Manfred_Max-Neef> [C.eldoc1/0703/NE1_Manfred_Max-Neef.html]

New Economics focuses on the following aspirations:

ONE: To foster social and economic systems that encourage self-reliance and enhance the self-development capacity of individuals and communities. This does not mean self-sufficiency or isolation. The emphasis is on the capacity to co-operate freely with others or, as Robertson puts it, the capacity for cooperative self-reliance [Future Wealth; p.13]. By contrast, the prevailing economic system tends to destroy self-reliant subsistence ways of living, making more and more people completely dependent on paid labour. New Economics is fundamentally about equitable, just and ecologically sustainable social, economic and political structures.

TWO: There is a need to conserve natural resources and restore the balance of global ecosystems. This is partly sought through economic systems organized around bio-regions. In the late 1980s, the Brundtland Commission found that the best way to integrate economic and ecological goals is to decentralize the management of resources upon which local communities depend and give the local communities effective say over the use of these resources. Again, this is not to be confused with isolationism. For example, Robertson says, "The more a city or other local economy can recycle its own flows of food, water, energy, materials, wastes and money within its own closed-loop system – i.e. the more conserving, as opposed to wasteful and ecologically damaging and polluting, a local economy can become – the more self-reliant it will be." [Robertson, *Future Wealth* p.15]

THREE: The 21st century economy is visualized as a multi-level one-world economic system, with autonomous but interdependent component parts at all levels. This means persons and households, local economies, national economies, supra-national groupings like the European Community and trans-national corporations. New Economics does not deny or rile against this plurality, but rather works for a system in which each larger unit is geared to enabling the smaller units within it to be more self-reliant and conserving.



FOUR: At its core, New Economics is a striving to redefine 'wealth'. The economist Herman Daly has drawn a stark distinction between true 'well-th', namely that which is conducive to overall well-being, and 'ill-th' which can be easily measured through money or material accumulation but may not necessarily lead to overall human and planetary well-being. One of the first steps towards TAMA is the act of differentiating between money and wealth. In the process, the New Economics stream engages in a thorough re-examination and re-definition of basic economic concepts like efficiency and productivity; dependence, interdependence and self-reliance; needs, wants and scarcity.

New Economics seeks to fulfill these aspirations by challenging conventional economics at several levels. Let us briefly review some of these dimensions.

New Measures of prosperity

At present economic success and growth are measured almost entirely through concepts like Gross Domestic Product (GDP) – which accounts merely for the total material exchange in society and is blind to the dimension of actual social welfare and ecological sustainability. This short-coming has been addressed through the evolution of various devices like a sustainability index and other measures of social welfare which include health, education, gender justice and income equity.

There are also intensive efforts to formulate alternative yard sticks to measure prosperity, for example, the concept of Genuine Progress Indicators which is being evolved in the USA, Canada and UK. Meanwhile, the Bhutanese have opted for a model of development which measures progress through Gross National Happiness.

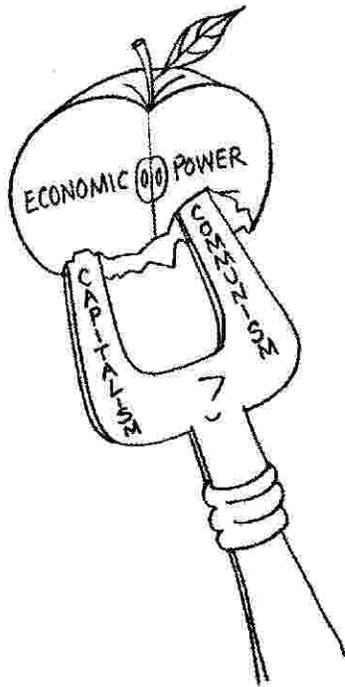
The leading alternatives thinker, futurist and author Hazel Henderson has emphasized the need for these measures of well-being to take into account the unpaid "Love Economy", of work within family and community. The United Nations Development Program estimates that this can be measured at about \$16 trillion annually. But this amount is currently missing from calculations of the global GDP. A proper valuing of the productive work would have to fully account for the contribution of the informal, grassroots sectors such as micro-enterprises and even the barter sector.

Capitalism, Communism and the Turning Point

The New Economics stream occupies what was once the no man's land between capitalism and communism. Even today, the claim 'Another world is possible' is dismissed as woolly by those who favor the old-style capitalist free market system, and as not sufficiently radical by the Left. This criticism comes not only from the Marxist-Leninist end of the spectrum, but also from other ideological camps. At best, the quest for alternatives is seen as being too piece-meal and lacking the potential for a systemic transformation. At worst, it is condemned as collaboration with the oppressive capitalist order.

The interface between the emerging civil society formations across the world and the Marxist and even Socialist traditions is a complex matter extending beyond the scope of this booklet. Suffice it to say that from the perspective of New Economics, both capitalism and communism have, in different ways, diminished the capabilities of multitudes of people and led planet earth to the edge of environmental collapse. To quote the authors of *Wealth Beyond Measure*:

"What has become obvious is that both capitalism and communism are problematic for the decentralized, participatory enhancement of individual capabilities. Private ownership has led to great concentration of economic power in ever fewer hands, and continues to do so. Public ownership has led to great concentration of economic power in ever fewer hands, and continues to do so. Public ownership places such ownership in the hands of an all too corruptible state system. The wage relationship can lead to exploitative, alienating social relations, but allocations unrelated to effort or productivity destroy motivation and self-development. The



market entails externalities and cannot address issues of distribution. Central planning is inflexible and fails to reflect individual preferences. What capability enhancement obviously requires is an appropriate mix of the two systems and new forms of worker ownership."

"The very concept of the welfare state, too has been brought into question. Partly it has been undermined by dubious criticisms concerned with the erosion of incentives and fraudulent claimants; partly it has fallen victim to inflexible or self-seeking bureaucracy that simultaneously militates against democracy, accountability, popular participation, and human dignity while failing to encourage appropriate self-help. Market failure has been compounded by government failure. The type of mixed economy to be pursued clearly needs to be redefined." [Wealth Beyond Measure: An Atlas of New Economics by Paul Ekins, Mayer Hillman and Robert Hutchison; Gaia books; 1992; p. 76-78]

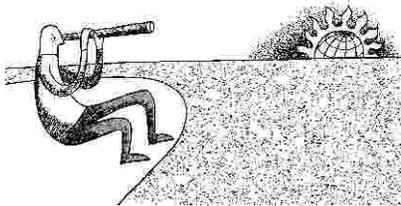
Thus most of the work on alternatives looks beyond the binary divide of capitalism vs. communism. Some of this work is based on the faith that we now live in a time of great historic opportunity – a civilizational turning point filled with promise. James Robertson, who co-edited a newsletter called 'Turning Point' for over 25 years, defines it as a watershed between the modernist Western world dominated by a scientific elite, or a pseudo-scientific elite in the form of economists, and the new post-modern world of the future. [For details see >><http://www.jamesrobertson.com/turningpoint.html>] [C.eldoc1/0703/NE1_Turning_Point_2000_by_Jamed_Robertson.html] This is also a shift between destructive political and economic systems that dominate people and planet, to systems that are empowering and conserving moving from centralization to pluralism and striving for a better balance between the masculine and feminine energies. [See bibliography for details about books by Robertson]

It is now more widely recognized that the world has reached a watershed in economic thought. In his book *One World Ready or Not*, the American journalist William Greider writes about a great watershed in economic thought as the conservative orthodoxy continues to crumble. By this he means a significant change in what American society is "...allowed to think in responsible circles." Talking about previous periods in American public life when the governing elites and the economics profession have remained in denial about the need for change, Greider warns that it could still "...take the learned authorities years to acknowledge the breakdown in today's orthodoxy and come to terms with it. Some of them will never

acknowledge it. Because we're all creatures of habit including the habits of thought. The people who will come at us with new thinking are the young people, who aren't invested in the old order, who might get some pleasure out of proving that their professors were full of it." [William Greider in interview with Financial Markets Center, November 1998. <<http://www.fmcenter.org/site/pp.aspx?c=8fLGJTOyHpE&b=246650>>] [C.eldoc1/0703/NE1_william-greider.html].

Edgar Cahn, the creator of Time Dollars, a form of community currency, has suggested that equating the economy with the market is akin to the view that the earth is flat. Cahn writes, "We need a new map of the real world. The map provided by government and prepared by economists is fatally incomplete. It defines reality exclusively in terms of money transactions. That's all the GDP measures. It is a flat earth view." ("Unleashing Our Hidden Wealth" by Edgar Cahn <http://www.yesmagazine.org/article.asp?ID=524>) [C.eldoc1/0703/NE1-edgar-cahn-Unleashing-hidden-wealth.html]

The task of drafting this new map of the real world is fundamentally a normative endeavor which calls on us to consider just what is meant by 'civilization'. Is civilization the sum total of technological and material achievements? Or does it have more to do with the ceaseless striving for higher levels of being? The search for answers to these questions is a perpetual work-in-progress but one that hovers on the fringes of much mainstream discourse. Thus it is natural to also wonder if new economics is not just an idealistic pipe dream?



The basic premise of this booklet is that it is not so and some of the new economics thinking is poised to make a significant impact on our lives in the years ahead. But the nature of this challenge was well captured by J.C.L. Sismondi, a pioneer of humanist economics. Back in 1827 Sismondi wrote how difficult it is to find "...the man enlightened enough to imagine a structure that does not yet exist, to see the future when we have already so much trouble to see the present." [Quoted by Mark Lutz > J.C.L. Sismonde de Sismondi, *New Principles of Political Economy*, 1827, trans.

R.Hyse, New Brunswick, NJ, and London, Transaction Publishers, 1991, p.634] Yet collectives of enlightened thinkers can, and have, changed the course of history – both for better and for worse.

Of course, new ideas and visionary ideals don't pop out of a box complete with detailed assembly instructions. We inevitably grope our way towards them, recognizing and working on the flaws as we go along. For all its advances over the last two decades, humanist or new economics is still in this groping stage. At the core of this endeavor is the quest for a radical reformulation of what it means to be human, which is no small task.

It involves, as Mark Lutz suggests, "a questioning of the modern mind rich in quantitative means but poor in qualitative ends." This in turn means a greater valuing of the distinctly human quality of self-awareness as a gateway to a higher, spiritual domain. Thus Schumacher's insistence on the need for humanity to regain a faith in meaningful existence, a purpose of life beyond self-preservation and gratification. As Lutz wrote, "In the process, it is important to realize that a life of universal material abundance is not a realistic ideal for this planet. Life's destiny for the human being must be something other, something more meaningful, than that. Like Adam Smith, who cautioned us that wealth and greatness are mere 'baubles' and trinkets of frivolous utility, John Stuart Mill too stressed the importance of the higher 'pleasures.' That is why, Lutz concludes at the end of his book *Economics for the Common Good*, "what is at stake is not just a new world order, but the world itself."

Some activist-philosophers insist that all these efforts signal a profound turning point in human history one that could mark the expansion of higher human capabilities like love, compassion, cooperation and non-violence. The futurist Hazel Henderson puts forth that love is vital to our survival as a species and to the realization of our full human potential through life in community. In the words of the paleontologist and mystic Pierre Teilhard de Chardin, "When humans truly discover the power of love, it will prove more important than the harnessing of fire."

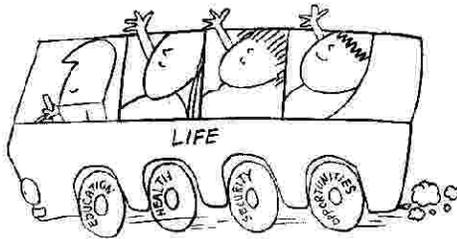
John R. Mabry, *Cyberspace and the Dream of Teilhard de Chardin* <http://theoblogical.org/dlature/united/ph2paper/noosph.html/> [C.eldoc1/0703/NE1-cyberspace-john.html]

Back in the 1920s, the famous French sociologist Marcel Mauss visualized the need for a turning point, calling for a return to customs of

giving and sharing:

“We need better care of the individual’s life, health and education, his family and its future. We need more good faith, sympathy and generosity in the contracts of hire and service, rents and sale of the necessities of life. And we have to find the means of limiting the fruits of speculation and usury. The life of the monk and the life of Shylock are both to be avoided. This new morality will consist of a happy medium between the ideal and the real.

*“Social insurance, solicitude in mutuality or co-operation, in the professional group and all those moral persons called Friendly Societies, are better than the mere personal security guaranteed by the nobleman to his tenant, better than the mean life afforded by the daily wage handed out by managements, and better even than the uncertainty of capitalist savings.” [Marcel Mauss, *The Gift: Forms and Functions of Exchange in Archaic Societies*; Cohen and West Ltd.; London; 1970; Translated by Ian Cunnison; p. 67]*



New Economics Substreams

Challenging How Money Works

Efforts for fundamental monetary reform are a major sub-stream of New Economics. Such efforts, concentrated mostly in the countries of the North, question the very nature of money, how it evolved and how different forms of money might now be possible. This includes efforts to find ways of introducing interest free money and exploring the benefits of community currencies. Over the last twenty years there has been a proliferation of alternative and complementary currencies which aim to rebuild community and create a protective buffer against the vagaries of the global economy dominated by the fickle flow of conventional money. There is a wide range of complementary currencies now being tried out across the world. (See “LETS Make it Happen”: Backgrounder on Alternative Economics, CED, 2003 [B.G80.B61]).

At yet another level, there are efforts that accept the intrinsic nature of money as it is, but attempt to contain the damage done by the ‘Global Casino’ of international currency trading. There is a sustained international campaign demanding that all nations institute a Currency Transaction Tax, sometimes also called the Tobin Tax, which aims to reduce speculation on the global money markets and also raise funds for social and development purposes. Then there is the rise of Socially Responsible Investing (SRI) in Western countries. SRI is about both individual and institutional investors seeking to put their money in companies that satisfy various ethical standards – based on concerns about the environment and human rights. This is also part of the growing pressure for Corporate Social Responsibility and an expansion of company accountability from only shareholders to ‘stakeholders’, i.e. the entire range of people affected by the company’s existence and operations.

Ethical Investing

The concerns reflected in the New Economics movements are also reflected in other trends within societies of the North. More and more people are beginning to assert these concerns through mechanisms like Ethical Investments or Socially Responsible Investments.

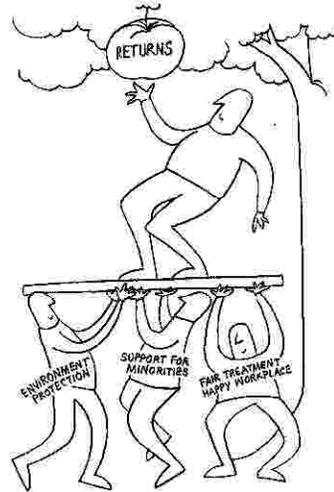
Such investments are defined as any area of the financial sector where investors make decisions based not merely on the search for profits, but on values relating to social, environmental and other ethical concerns. There are now about 50 retail ethical investment funds in the UK, with an estimated value of 4 billion pounds in 2001. There are several such funds in the USA, and according to one estimate, one out of every seven dollars invested in the USA now passes through some social or environmental screening.

For example, Pax World Funds invests in companies providing goods and services that improve the quality of life, focusing on areas such as health care, housing, technology, pollution control, utilities, and education. These Funds do not invest in companies that manufacture defense or weapons-related products nor those that earn revenue from the manufacture of tobacco, liquor and/or gambling products.

The Calvert Group, another such financial sector company, is committed to offering investors a multi-layered analysis which “seeks

to identify companies with positive business practices towards their employees, customers, community and environment” and invests in companies that:

- Protect the environment
- Actively hire and promote women and minorities
- Compensate workers fairly
- Provide a family-friendly workplace
- Do not manufacture weapons, alcohol or tobacco products.



A Calvert document states that: “companies with forward-thinking management and an expanded view of corporate responsibility can offer attractive financial returns. For example, a study of almost 300 companies over a two-year period found that those with superior environmental performance had a higher return on investment than their competitors – even after accounting for other profitability factors, such as sales, growth and market position.”

Some of these trends are driven by an expanding awareness of the danger implicit in 300 global corporations controlling one quarter of the productive assets of the world. Most of these corporations are moving their operations to nations with the lowest standards for workers, consumers, and environmental protection. In September 2000, a poll by Business Week showed that only four percent of Americans agree that profits should be the sole purpose of US corporations. Whereas 95 percent of the people polled favored corporations giving priority to improving conditions of their workers and improving life in the communities around them.

There is a corresponding increase in shareholder activism, with people using their voting rights as shareholders to influence the policies of companies. For example, there is SANE BP, which stands for Shareholders Against New Exploration, within British Petroleum.

SANE BP is an umbrella group of BP's investors concerned about its impact on climate change who wish to move the company towards renewable energy and away from damaging oil exploration.

The trend towards Ethical Investments is also being pushed forward by the fact that many ethical investment funds are also providing consistently good dividends. Some have even out-performed the purely profit-driven funds. Of course this does not mean that ethical criteria always lead to better performance, but proves that they do not necessarily mean lower profits. Socially responsible investing is now being promoted in Asia by the Association of Sustainable and Responsible Investment in Asia (ASrIA), based in Hong Kong, and the Centre for Social Markets, which has offices in London and Calcutta.

Balancing Cooperation and Competition

This striving is expressed in diverse phenomena. There is a growing interest in understanding the functioning of a “Gift Economy” in earlier periods of history. These efforts do not hark back on any mythic ideal. Rather they concentrate on understanding the essential principles by which gift-based economies operated and trying to see how some of those values might be relevant today. Essentially this means challenging the idea that material exchange can only happen efficiently if it is governed strictly by the price mechanism and left to the inter-play between supply and demand. Instead, the concept of a gift economy brings into play a more wholesome balance of the finer human tendencies -- such as the need to share, reciprocate and cooperate.

Perhaps the most far reaching manifestation of this trend is the Free Software and Open Source Movement. Here is a phenomenon that started as a quiet counter-culture and now poses the most serious competition to a corporate giant, namely Microsoft. Its flagship is a body of software called Linux, and it draws on the energies of both businesses and social activists. As a street hoarding in Bangalore declared some years back, “Linux is free. Linux engineers, however, are busier than ever.”

‘Free software’ seems like a contradictory term. After all, computer software is a multi-billion dollar industry today. But the term ‘free’ here is not to be mistaken for ‘free lunch’ or ‘free beer’. Instead, the ‘free’ in Free Software refers to freedom-the freedom to cooperate, collaborate and

share in the interest of enhanced creativity and more efficient problem solving.

Free Software and Open Source

Richard Stallman, a one time MIT engineer who launched the concept of free software in the mid-1980s has set the following criteria for software to be considered free:

- You have the freedom to run the program for any purpose.
- You have the freedom to modify the program to suit your needs. To make this freedom effective in practice, you must have access to the source code.
- You have the freedom to redistribute copies, either gratis or for a fee.
- You have the freedom to distribute modified versions of the program, so that the community can benefit from your improvements.

These principles are also inherently conducive for fostering more democratic and non-hierarchic structures in society. Some years ago a senior Microsoft employee wrote in his farewell note to the company that:

“Microsoft must survive and prosper by learning from the open-source software movement and by borrowing from and improving its techniques. Open-source software is as large and powerful a wave as the Internet was, and is rapidly accreting into a legitimate alternative to Windows. It can and should be harnessed.”

Thus many see Free Software as a proof of the fact that freedom, openness and community work. This is particularly significant because the core of the digital information technology industry is otherwise fiercely competitive. Some people even see it as a signal of the emerging future beyond capitalism. Yet others fear that in being adopted by the corporate world, the free software model will be transformed beyond recognition, losing most of its vital social and ethical strengths.

For more information see the site of the Free Software Foundation <http://www.fsf.org/news/odf-sflc.html> [C.eldoc1/0703/NE1-Opendocument_is_safe_sflc.html] Reference on Open Source, <http://www.opensource.org/> [C.eldoc1/0703/NE1_Open Source_Initiative_OSI_Welcome.html]

Fair Trade

New Economics is engaged with promoting fairer trade and also going beyond it by locating these initiatives in a wider struggle for more equitable relations in the global economy. As the activists of the Guddalur based Just Change organization have found, many fair trade groups in the North lack this larger view and are somewhat narrowly focused on getting a better price for producers. The New Economics perspective aims to address the basic power relations between labour and capital.

Just Change

“The vision of Just Change is to fight the injustice of the present market economy that impoverishes communities across the globe and to create a system where communities can participate in the economy driven by human values and principles rather than by unidentified market forces.”

“Just Change seeks to create a new and alternative trade structure that will bring together two ends of the market spectrum – producers and consumers - to work as members of a co-operative. By sharing the ownership of the market chain, by spreading the risk along the chain and by exercising choice over whom they sell to and from whom they buy, both consumers and producers can gain greater control in the market economy. Producers can retain ownership over their product all along the market chain and can therefore benefit from the final retail value of the product. Consumers can work directly with producers to establish a price for the product that is based on principles of equity rather than fluctuating and speculative markets. They will also have the power to collectively determine the distribution of surplus.”

Source: <http://www.justchangeindia.com/frames.asp?file=concept.htm&head=Concept>

Mindful Markets

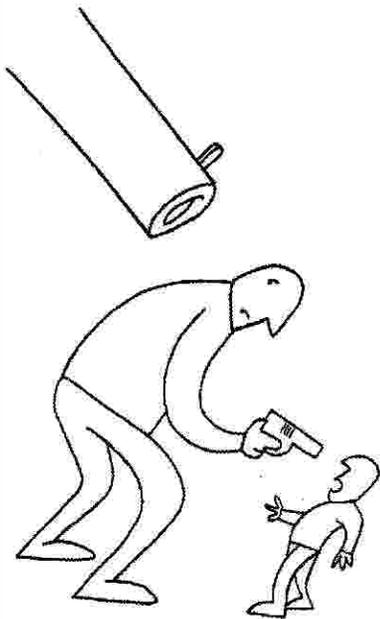
Underlying all these trends is a determination to redefine the workings of markets. The New Economics stream celebrates the bazaar as an ancient and reliable mechanism for people to gather for multiple-purposes from the social and cultural to commercial. New Economics is emphatically

not anti-markets. It does, however, have a sharp critique of the narrow and negative view of the human being on which the 'free market' ethos is based. For instance, the noted proponent of alternatives, David Korten, has called for systems which enable markets to be more mindful. Korten's books, *When Corporations Rule the World* and *The Post Capitalist World*, have been vital contributions to the global opposition to 'market fundamentalism'.

What are "mindful markets"?

David Korten has urged that the key agenda for the 21st century is to cultivate a mindful economy. Among other things this would mean entirely new rules for the global economy. For example, Korten has written:

"We need strong international agreements that:



1. Regulate transnational corporations and finance to sharply curb financial speculation, the money laundering activities of transnational banks, trade in arms and illegal drugs, corporate tax evasion using off-shore financial havens, the sale abroad of chemicals and drugs banned in a corporation's home country, and anti-competitive practices such as price-fixing cartels.

2. Establish a strong international anti-trust regime to reverse the trend toward the global concentration of corporate power, especially in such sensitive areas as banking,

media and agribusiness, and maintain competitiveness in international markets.

3. Require global corporations to adhere to the highest of international, local or their home country standards regarding human rights, labour, environment, health and safety everywhere they operate.

4. Monitor national trade and financial balances and facilitate negotiations toward agreement of corrective action where consequential and persistent imbalances are found.

5. Reduce extreme disparities in per capita resource use and CO2 emissions between countries.

6. Eliminate market-distorting export and international transport subsidies.

7. Organize sanctions in cases where a country engages in an economic assault on another by dumping products at prices substantially below the real costs of production, uses bullying tactics to force a country to open its markets to products it considers harmful or unnecessary, or intentionally disrupts the economy of another country by unilaterally imposing an economic embargo not sanctioned by the United Nations General Assembly.

8. Create mechanisms for dealing with such matters as the problem of invasive alien species like the Asian longhorn beetle, the threat to human food security created by the growing number of countries in which domestic agriculture has been undermined by subsidized imports, threats to human, economic and environmental health posed by the reckless introduction of genetically modified organisms into food supplies and the environment, the use of child and slave labour in export production, and the abuse of intellectual property rights to overprice beneficial drugs and technologies and limit their availability to poor people and countries.

These are but a few of the real regulatory needs of the global economy that are in most instances ignored or denied by the WTO."

David C. Korten, *THE MINDFUL MARKET ECONOMY*: Here is a clear and viable alternative to global capitalism.

<http://www.pcdf.org/2000/The_Mindful_Market.htm>
[C.eldoc1/0703/NE1_Mindful_Market_Economy.html]

Each of these areas is a separately rich topic for study and activism the world over. Yet much of this work is still treated as ‘fringe activity’ and either ignored or under-valued by mainstream media and academia. This is largely because the mainstream discourse tends to be dominated by conventional economics, which in turn is based on flawed assumptions and premises. Within that framework it is indeed difficult to establish the efficacy of TAMA! Thus in this backgrounder we will focus on tracing the historical journey of and contemporary initiatives devoted to questioning the conventional economic paradigm and posing alternative perspectives. Such questioning is a necessary pre-requisite to the urgent task of redefining ‘development’ and ‘wealth’ and ‘money’.

The core purpose of New Economics is to reorient economic systems in ways that put people and planet before, or at least on par with, profits. This is a call for a radically different economic rationality, says Manfred Max-Neef who is one of the leading proponents of this stream. Thus the term New Economics is sometimes used inter-changeably with ‘Green Economics’. Such an economics, writes Max-Neef who is founder of the Development Alternatives Center in Chile, will transform “...our destructive economic logic because it subordinates economics to the processes of life, rather than, as has been the rule so far, placing life at the service of economics.”

These objectives are unquestionably worthy. But they are often undermined by the assumption, or perception, that somehow these ideas have been pulled out of the air by well-meaning people who have no understanding of how human society and history actually work. However, the truth is that these objectives belong to a stream that has a rich historical lineage.

“The deepest difference between optimists and pessimists is their position in the debate whether people are able to operate collectively from a basis of love. In a society that systematically develops in people their individualism, competitiveness and their cynicism, pessimists are in the vast majority.”

*- Donella Meadows was a Systems analyst, journalist, writer, teacher, farmer and a leading voice in the sustainability movement. She was also co-author of the seminal books *Limits to Growth* (1972) and *Beyond the Limits* (1992), that were the outcome of the Club of Rome process.*

Historical Context of New Economics

“Among the delusions which at different periods have possessed themselves of the minds of large masses of the human race, perhaps the most curious – certainly the least creditable – is the modern science of political economy, based on the idea that an advantageous code of social action may be determined irrespective of the influence of social affection. ... The social affections, says the economist, are accidental and disturbing elements in human nature; but avarice and the desire of progress are constant elements.”

John Ruskin in *Unto this Last*.

These are the opening lines of Mahatma Gandhi’s paraphrased Gujarati summary of John Ruskin’s *Unto This Last*. Gandhi read this book in 1903 and it forever transformed his life, accelerating his journey towards becoming the person that the world hailed as a *mahan atma* ‘great soul’. Today Ruskin’s work is remembered as one of the landmark statements critiquing the political economy that was emerging in the 19th century.

Ruskin, John *Unto This Last*, Wiley & Sons: New York; 1988; first published 1864

Ruskin, like David Henry Thoreau and Leo Tolstoy, saw civilization in fundamentally normative terms. From this perspective, economics is also treated as a normative discipline. This means that the process of creating, exchanging and accumulating material goods is deemed to be worthwhile only to the extent that it enhances actual human welfare in a holistic manner. That means providing for both basic needs *and* enabling people to strive for higher levels of being. Such a humanist economics is anchored in an *a priori* ethical assumption of human *equality* and a rejection of the view that the natural sciences can account for all relevant phenomena. This is because the methods of natural science depend on mathematical logic and thus suffer from severe limitations in dealing with

life as a whole and are utterly incompetent in the realm of self-consciousness. Life, as E.F. Schumacher liked to say, is bigger than logic.

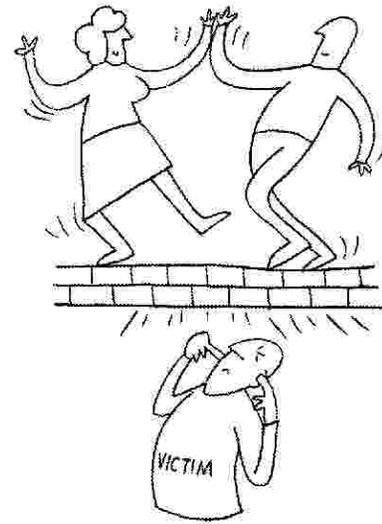
Mark Lutz, a scholar of humanist or social economics, describes it as a “noble tree” that was overshadowed by the “forest giant” of Marxist economics. The humanist stream sees society as having a complex, organic structure that is not limited to or defined by either individual self-interest or its more collective expression in class interest. This is the tradition within which Gandhi appeared and which is thriving today.

“The path of social economics winds between the ideological fortresses of individualistic laissez-faire capitalism with its neglect of society, and a clumsy bureaucratic socialism drowning the person in the collective uniformity of the mass. It’s a path that is being built as we go forward, led by a compass aiming at social justice and an uncompromising affirmation of the human dignity of all. ...social economics stands in stark and fundamental contrast to the ways of the prevailing mainstream discipline which seeks the impossible: to guide politics in the name of science rather than ethics.” – Mark Lutz Economics for the Common Good, p.100

One of the earliest humanistic voices to challenge classical economics from within was that of **Jean Charles Leonard Simonde de Sismondi**, who was born in Geneva in 1773. In the history of classical economics, Sismondi is credited with being the father of the business cycle theory and the first economist to attempt a macro theory of under-consumption based on the distribution of income between the owners of capital and workers. Quite simply, he argued that a more equal distribution of benefits would mean a more steady expansion of markets.

Sismondi, with his thorough knowledge of history, saw Europe caught in the painful throes of a period even worse than other cruel times in human history:

“In times of the greatest feudal oppression, in times of slavery, there have been, no doubt, acts of ferocity which made humanity shudder; but at least some motive excited their anger or their cruelty; there was some hope in the oppressed that they might avoid provoking the oppressor. Besides, the executioners of a ferocious act might soften the execution of it. The wife, the children, the priest may implore pardon, and sometimes obtain it. But in the cold and abstract oppression of wealth, there is no offense, no anger, no executioner, no relation between man and man. Often the tyrant and his victim do not know one another by name, do not



inhabit the same country, do not speak the same language. The oppressed knows not where to carry his prayers, or his resentment; the oppressor, far from being a hard man, is perhaps generous and feeling; he takes no account of the evil he does. He submits himself to a sort of fatality which seems at this time to govern all the manufacturing world. It is this fatality that, in spite of the promise of liberty, of equality, overwhelms with frightful oppression millions of human creatures.”

Sismondi, J. C. L. S *Political Economy and the Philosophy of Government* {1847}, New York: Augustus M. Kelley; 1966. Quoted from Lutz; p. 264-265.

These observations make Sismondi one of the first modern economists to denounce the costs of industrial development and to see it as a forced phenomenon which demands the violent displacement of both masses of people and resources. Therefore he deplored economists’ tendency to make wild generalizations while neglecting reality and relying on abstract calculations to the point that economics became ‘an occult science’.

Today, over a century and a half after his death, Sismondi is acknowledged as a pioneer of New Economics, or economics-as-if-people-mattered. Though Sismondi had no direct disciples, he is believed to have inspired Thomas Carlyle – who became far more famous for attacking the orthodoxy of economics as a ‘dismal science’, ‘pig philosophy’ and so on. Carlyle in turn had an influence on John Ruskin.

John Ruskin (1819-1900) never trained to be an economist and was famous in his time as a brilliant and fiercely prolific art historian, writer and lecturer. He left behind such a large body of literature that his complete works run into 39 heavy volumes – among them a five volume series called *Modern Painter*, a three volume set called *The Stones of Venice* and *The Seven Lamps of Architecture*. Like his contemporary,

Charles Dickens, Ruskin was appalled by the squalor and poverty of 19th century Britain. However, to this day, school children are taught about the medieval period as the 'Dark Ages' and the industrial revolution as a liberating force – virtually an extension of the cultural Renaissance. But while the West end of London displayed all the expanding power and splendor of a wealthy empire, starvation conditions prevailed in the East End of London. Ruskin traced much of these failures to a profound discontinuity in the fundamental beliefs and values of medieval times and the industrial society of his times.

It was Ruskin's interest in cultural history that, in later life, drew him into a study of the political economy. He stumbled upon this role partly through his efforts to teach art appreciation to the working class. This led him to the realization that the problem was not with the workers, but with a system that degraded and stunted their aesthetic sensibilities. So, though equipped with a most rudimentary knowledge of the teachings of political economy, Ruskin plunged into a passionate attack on John Stuart Mill and his notion of Homo economicus.

“Ruskin opposed this approach on a fundamental principle that says much about the difference between a mechanistic, atomistic economics and an organic, communitarian approach. To him social affections and moral sentiments were qualitatively not of the same kind as the initial premise of greed and self-interest. Human beings, he maintained, are not rats or steam engines, but have soul, and it is the force of this particular agent which ‘enters into all political economists’ equations, without his knowledge, and falsifies every one of their results.” – Mark Lutz, Economics for the Common Good.

Ruskin's social theories were as much inspired by his reactions to conditions in Britain, as by his observations during travels across Europe. In *Unto This Last*, Ruskin illuminated the moral and social content underlying all commercial transactions. He stressed that real wealth is life itself, not money or gold. Thus wealth is that which grows through work, supporting and advancing life. From this perspective, the worst kind of waste is the waste of time due to the crushing of human creativity through mindlessly oppressive tasks geared to making money instead of working for justice, social and aesthetic goals. Ruskin's solution for the ills of industrial society was to encourage co-operation rather than competition – with strong state intervention to ensure social justice.

Having concluded that orthodox economics was dangerously irrelevant for public policy purposes, Ruskin set about constructing a 'new economics' based on 'moral animation'. Such an approach replaced Mill's definition of wealth as exchange value with a more subjective notion of the intrinsically life-sustaining qualities of goods and services.

Some of Ruskin's proposals for reform presaged the welfare state of the 20th century, such as public ownership and management of the economy, a universal system of education, free libraries and museums. He even advocated that industries should be run on a co-operative basis through a revival of the old Guild Government. In one of his 'Letters to the Workmen and Laborers of Great Britain,' published in 1876, Ruskin argued in favor of abolishing, or at least restricting, interest and rent because this would redirect income from those who hoard it toward those who spend it, thus addressing the problem of periodic overproduction – which Ruskin preferred to call 'over-destruction'.

Ruskin is regarded as a pioneer or fore-father of today's fair trade and ethical investment activists. His influence can be found in much of the innovative alternative thinking in the 20th century – including guild socialism, distributionism, social credit, and social investment. Schumacher and other environmental thinkers were deeply influenced by Ruskin's plea to bring ethics back into economics.

Later, **John Hobson** (1885-1940) carried Ruskin's ideas further in a more scholarly tone. Hobson wrote: 'When moralists talk of altering human nature they are often misunderstood to mean that instincts and desires deeply implanted in our inherited animal outfit can be eradicated and others grafted on. Now, no such miracles are possible or needed. But substantial changes in our environment or in our social institutions can apply different stimuli to human nature and evoke different physical responses. For example, by alterations in the organization and government of business and industries, so as to give security of employment and livelihood to workers, and some increased 'voice' to them in the conditions of work, it seems reasonably possible to modify the conscious stress on personal gain-seeking and to educate a clearer sense of social solidarity and service.... *Service is, therefore, the first essential in any shift of relative appeal to personal and social motives.*' (emphasis added) [Hobson, J. A. *Economics and Ethics*; D.C. Heath: London; 1929, p. 234]

Ruskin in turn had a profound influence on **Mahatma Gandhi**. For Gandhi, economics was meaningful only to the extent that it worked



towards the welfare of all. This meant a system of production, distribution and consumption driven by the need to provide the basic necessities for the very last person, in ways that ensured respect for the higher values of life – that is, human dignity, non-violence and creative labor. It was from this vantage point that Gandhi attacked mass production and saw a strong and self-reliant rural village-based economy as the solution.

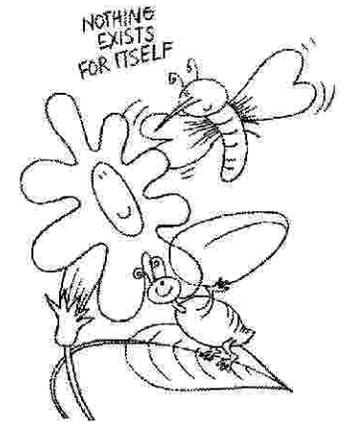
Gandhi saw the West's want-based materialism as a manifestation of the malice of modernity. Thus, modernity was not a force that freed people but rather, by its rejection of contentment, fostered a slavery to whimsical desires. Long before the planet was seen to be in need of saving, Gandhi warned that if everyone had a car, there would be little room left for walking.

The way out lay in Sarvodaya (welfare of all) – Gandhi's term for social and economic justice. Gandhi's vision of the path to Sarvodaya was a village-based economy which maximized the strengths of India's traditional artisanal base and used only that modern machinery which ensured production by the masses rather than mass production. Thus, Gandhi chose the spinning wheel as *the* symbol not merely of India's struggle for freedom from imperial rule, but of 'swaraj', or self rule. Yet 'swaraj' was not to be confused with mere freedom from British rule. It was the very core purpose of civilization and denoted command over one's self, over one's passions and desires in order to rise towards higher levels of good conduct. The appropriate social and economic infrastructure was that which subserved the aims of 'swaraj'.

Gandhi's legacy was carried forward by his disciple **Joseph Chelladurai Corneilus Kumarappa**, who was both a chartered accountant and an economist trained at Columbia University. Kumarappa devoted himself to finding both a practical and theoretical basis for a different kind of economics. This quest led Kumarappa into a close observation of nature and how its various creatures coexist. Every being, Kumarappa found, fulfills its necessary role in the cycle of life by performing its own primary function. During the Quit India Movement in the early 1940s, Kumarappa spent many months in British jails and during that period he articulated these ideas in a book he titled '*The Economy of Permanence: A quest for a social order based on non-violence.*' The book was published in 1945, just as Europe was coming out of the second world war.

Economy of Permanence

"... nature and ensures the co-operation of all its units, each working for itself and in the process helping other units to get along their own too – the mobile helping the immobile, and the sentient the insentient. Thus all nature is dovetailed together in a common cause. Nothing exists for itself. When this works out harmoniously and violence does not break the chain, we have an economy of permanence." [Kumarappa, J. C. Economy of Permanence, Sarva Sewa Sangh Prakashan; 1984. (B.FOO.K12)]



Of course, Kumarappa acknowledged that the natural world is not entirely made up of complete non-violent cooperation between various units. He identified five kinds of economies in nature: parasitic, predatory, enterprise, gregation and service. In the parasitic economy, one unit lives off the host and kills the latter, e.g. the tiger and its prey. In a predatory economy, some units benefit themselves without conferring a corresponding advantage on another unit, e.g. a monkey enjoying fruits off the trees. In an economy of enterprise, there is a more or less reciprocal relation between two units, e.g. the honey bee and the flower. In an economy of gregation, individual units work not for their own gain but for the common benefit, e.g. bees in a bee-hive. In an economy of service, one unit serves other units, not to serve its own direct personal

needs but for the sake of future generations, e.g. the mother bird nurturing her chicks. In Kumarappa's framework, the economy of service is the highest form of economy in nature. Thus, today's world, with its endless striving for economic growth accompanied by worldwide environmental devastation and social turmoil, is an economy of transience – the exact opposite of the ideal in Gandhi and Kumarappa's worldviews.

It is important to note that both Gandhi and Kumarappa's preoccupation with violence was not limited to physical acts of brutality. They considered any activity that harmed human beings and nature as violent. Thus, a farmer selling milk to a dairy while depriving his own children its nutritional benefits would be committing a violent economic act.

Kumarappa was aiming to reconnect the spiritual and everyday material life so that "the daily routine of mundane existence may be regulated in accordance with the dictates of our better self..." The economy of permanence would be a partial, everyday manifestation of what men of religion term 'eternal life'. Kumarappa realized that this was a novel approach, "...but if it sets others thinking on the ways and means of achieving the end aimed at, this venture would be amply justified."

By contrast Kumarappa saw a grave danger in the predominant economic culture:

"An economy that is based purely on monetary or material standards of value, does not take in a realistic perspective in Time and Space. This shortcoming leads to a blind alley of violence and destruction from which there is no escape... To lead to any degree of permanence, the standard of value itself must be based on something apart from the person valuing, who is after all perishable. Such a basis, detached and independent of personal feelings, controlled by ideals which have their roots in the permanent order of things, are objective and so are true and reliable guides."

Kumarappa's work illustrated how the idea of economic man, and most of classical economics, is peculiar to capitalist societies and far from universal. Kumarappa did try to flesh out how the business of allocation would work out in a Sarvodaya economy but this work remained inconclusive and sparse – largely because his energies were primarily focused on empirical work on village industries. Kumarappa was ahead of his time in articulating the concept of Economy of Permanence, and thus his work went virtually unnoticed within the mainstream (though Schumacher makes a passing reference to it in *Small is Beautiful*).

The tide began to turn, slowly, in the West in the 1960s. The publication of *Silent Spring* by biologist Rachel Carson in 1962 is widely considered the inaugural event of this gradual shift. The book is about the lethal poisoning of the environment by chemicals used in the name of progress. *Silent Spring* unleashed a public furor leading to a string of environmental regulation in the USA that is today taken for granted.

In 1969, leaders and intellectuals from thirty-nine nations gathered in Rome to consider the future of progress and concluded that the world would soon reach the point where it would exhaust the earth's resources. The 'Club of Rome' and its report, *The Limits of Growth*, helped define New Economics in the 1970s.

It was in this context that the long tradition of humanistic economics was gifted with perhaps its most celebrated proponent in the early 1970s. The man was E.F. Schumacher and his best known work, *Small is Beautiful: Economics as if People Mattered*, became a global best-seller. Even those who never actually read the book knew of it, and its catchy title seemed self explanatory. Schumacher gave voice to those who were worried about the manner and speed at which humans were gobbling up the earth's bounty.

An avid gardener, and baker of bread, Schumacher was deeply interested in organic farming and even served as a President of the Soil Association in Britain. In the 1950s, the British government sent Schumacher to Burma to advise them on how to use modern science and technology for the progress of Burma. These travels appear to have fed his innate longing for simpler and more humane technologies and economic structures.

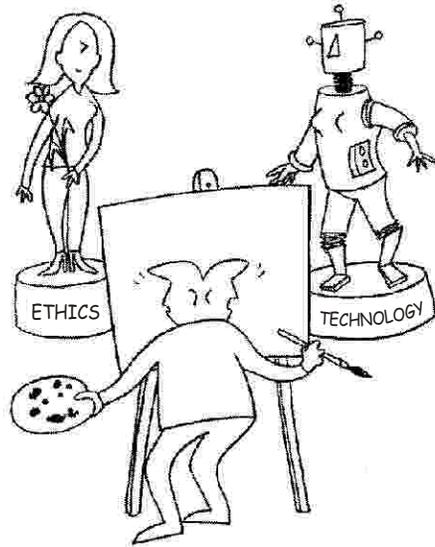
Through the late 1960s, Schumacher wrote a series of essays on technology, economics and spirituality. The most famous of these was 'Buddhist Economics'. *Small is Beautiful* was largely a compilation of these essays and lectures. Since "people can be themselves only in small comprehensible groups," Schumacher contended, "we must learn to think in terms of an articulated structure that can cope with a multiplicity of small scale units."

Further reading:

Schumacher, E.F. *Small is Beautiful: Economics as if People Mattered*; N.Y.:Harper & Row; 1973.

Schumacher, E.F. *Small is Beautiful: Economics as if People Mattered 25 Years Later with Commentaries*; Vancouver: Hartley & Marks; 1999.

In the spirit of Mahatma Gandhi, Schumacher insisted that the critical challenges before humanity were now moral, rather than technological or economic. This meant bringing ethics back into the center-stage of the economic discourse. Thus, even education is helpful only to the extent that it helps a person to evolve and develop holistically, feeling more centered within and finding his or her soul.



In the early 1970s, economics and spirituality were not commonly mentioned in the same breath. Schumacher was quite out of step with the mainstream discourse when he called for a 'Buddhist Economics'. The idea was an anomaly for most of Schumacher's contemporaries within government circles. When they asked him what economics had to do with Buddhism, Schumacher replied: "Economics without Buddhism, i.e. without spiritual, human and ecological values, is like sex without love."

Small wonder that Schumacher's ideas found listeners across the world. Many people could relate to Schumacher's view that we do not have to choose between 'modern growth' and 'traditional stagnation'. Rather, he wrote, "It is a question of finding the right path of development, the Middle Way between materialist heedlessness and traditionalist immobility, in short, of finding 'Right Livelihood'."

Western economics is geared to the exact opposite of this view and Schumacher found enough people acutely aware of this dilemma. "Everywhere people ask: What can I actually *do*?" Schumacher wrote in the conclusion of *Small is Beautiful*, "The answer is as simple as it is disconcerting: we can, each of us, work to put our own inner house in order. The guidance we need for this work cannot be found in science or technology, the value of which utterly depends on the ends they serve; but it can still be found in the traditional wisdom of mankind."

This means that:

"If human vices such as greed and envy are systematically cultivated, the inevitable result is nothing less than a collapse of intelligence. A man driven by greed or envy loses the power of seeing things as they really are, of seeing things in their roundness and wholeness, and his very successes become his failures. If whole societies become infected by these vices, they may indeed achieve astonishing things but they become increasingly incapable of solving the most elementary problems of everyday existence." [Schumacher, *Small is Beautiful – 25 Years Later*, p.18.]

This partly explains why, in spite of a wealth of data, knowledge and reflection, humankind is still rapidly losing the race to save the planet. As Paul Hawken, the author of *The Ecology of Commerce* points out, the self-evident truths of *Small is Beautiful* still seem painfully opaque to the world a quarter century later. Yet this is not to underplay the fact that there is today more excitement about the ideas of humanist economics, or new economics, than there was two decades ago. Schumacher's place in the history of ideas is secure. As is his multi-faceted inspirational role among those hopeful of a great transformation of the positive kind.

Small is Beautiful was a synthesis that had been begging to be articulated. Paul Hawken wrote in his introduction to the special 25th anniversary edition of the book, "While many of the concepts presented were being talked about amongst small groups of academics, leftists, activists, and non-governmental organizations, it took a respectable gentleman in pin-stripes and a black homburg, a man who had worked diligently as the chief economist of the National Coal Board of Britain for 20 years to announce to the world that neo-classical economics was dead and inhumane, that more production of goods would not make people happy, that large-scale technologies were dehumanizing and morally wrong, and that 'man is small, and, therefore, small is beautiful'."



Thus quite apart from his impact through writing, Schumacher's interactions with an emerging generation of activist-intellectuals had far reaching consequences. **Hazel Henderson** found herself drawn to

Schumacher not merely because of his erudition, but because of how much he valued the "... common sense of ordinary people and their ability to expand their awareness of comprehensive, eternal truths. This was the essence of his work and the element of it that was most meaningful to me as a citizen activist. He gave me, and millions like me, the courage of our convictions, even when we were facing the mystification of legions of brilliant, quantitative specialists and narrow economic rationalists." (Henderson, Hazel, *The Politics of the Solar Age: Alternatives to Economics*, Knowledge Systems, Indianapolis, IN, 1998. p. 174). He did this by showing the limits of the specialists' 'expertise and technique'.

Till she met Schumacher, Henderson recalls, she had seen economics merely as an obstacle, a strange barrier that prevented many problems from being perceived and addressed. "After knowing Fritz, I have had the courage to say simply that economics is a form of brain damage." (Henderson, p. 181.)

Further Reading:

Henderson, Hazel, *The Politics of the Solar Age: Alternatives to Economics, Systems, Indianapolis, in 1998. p.174.* Henderson, Hazel, *Creating Alternative Futures: The End of Economics*, Foreword by E.F.Schumacher (originally published in 1977); West Hartford: Kumarian Press; 1996.

Henderson went on to become one of the most prolific writers and campaigners for various dimensions of New Economics. Today she is part of a growing global fraternity of activist intellectuals deeply engaged in both the theoretical and practical challenges of the required transformation. Among them is Paul Hawken:

"When [Small is Beautiful] was first published many thought that change would come about through insight, logic, compassion, and reason. Increasingly, it seems that change will come about after we have exhausted every other theory of greed and gain, and the winds of change are no longer metaphorical, but force five hurricanes destroying whole regions. That the world should become so immune to its own losses seemed inconceivable 25 years ago. Now that we have re-learned how remarkably obtuse humankind can be when dazzled by monetary and material gain, we must shine the light all the brighter on the singularity and prescience of Schumacher's work and vision."
[Paul Hawken in his introduction to the 25th anniversary edition of *Small is Beautiful*.]

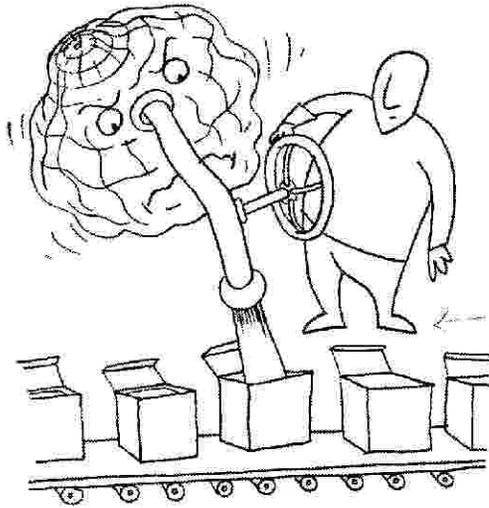
Yet the work of this stream did not suffer, on the contrary it found some rigorous and passionate proponents. Among them was a younger contemporary and colleague of Schumacher, namely **James Robertson**. Brought up in Scotland and Yorkshire, Robertson studied history, philosophy and classics at Oxford and then went on to become a 'Civil Service high-flyer'. From 1953 to 1965 he worked in government, part of that time with Prime Minister Harold Macmillan in the British Cabinet Office. This work brought him in close touch with the decolonisation movement in Africa and deepened his future thinking in favor of freedom from 'Big Brother' power structures.

Between 1965 and 1973, he was involved in several studies about the organization of Britain's government, civil service, and Parliament—particularly concerning relations between government and industry; and the future role of London as a world financial center. Later he became an independent writer and lecturer. Robertson also became a friend of E. F. Schumacher and closely followed the gradual unfolding of the latter's work through the 1970s. Shortly after Schumacher's death in 1977, it was Robertson who provided a text to galvanize the alternative economics movement. The book was called *The Sane Alternative*.

Robertson dubbed the shift into a better future as SHE – 'sane, humane and ecological'. This shift, he argued, is not inevitable but it can be made possible with some speed if we know what is happening and build the new economics we need to help it along. Like others in this tradition, Robertson is concerned with an ethical, spiritual approach to economics and politics. Thus for him, "Acting rightly takes priority over knowledge, and 'what should I do?' over 'what do I know?'. Economics cannot be an objective science." [From *The Sane Alternative*]

Robertson is suspicious of single answers, panaceas and any promised 'solutions' that involve authoritarian control over individuals. The fundamental problem, according to Robertson, is this: "Material resources are extracted from Nature's supposedly unlimited pool, outside the economic system; they are then processed stage by stage into the eventual manufacture of consumer goods; those are then distributed and consumed, and the final wastes are dumped in Nature. The capacity of Nature's resource pool and the capacity of Nature's waste sink have been treated as free goods, of no value." The result is that resources dwindle, pollution mounts, and these losses are not accounted for in the measurements of the economy. A new economics therefore begins with a central place for nature and more efficient, sustainable use of its bounty.

In *The Sane Alternative*, Robertson begins by challenging the view that thanks to ever increasing industrial-scientific growth, humankind now stands on the threshold of endless prosperity and plenty. This kind of blindness is characterized as the 'HE' view, "a dangerous masculine fantasy – exploitative, elitist and unsympathetic." Robertson cites various scholars, such as Robert Heilbroner and L.S. Stavrianos, who see the world at a juncture similar to that preceding the collapse of the Roman empire and the start of a Dark Age.



Yet the same juncture is also potentially a period of epochal change. Robertson defines the desired change as 'SHE' – a world in which people would live in vibrant communities of inter-linked villages. Some of what Robertson visualized has come to pass – the Internet has facilitated direct links between people, bypassing centralized power structures of broadcast communication. Holistic healing disciplines are proliferating, with more and more people learning to tap their own healing energies. But there are as yet few signs of the most cherished aspect of Robertson's vision, which requires a devolution of power to local communities and a virtual dissolution of centralized power.

According to Robertson, this on-going global shift requires 'systemic' change so that the system does not force people into deadening and environmentally damaging work patterns, at enormous economic cost, but sets them free to make it easier to "choose healthier, less selfish, more socially responsible, more ecological, more spiritual, more locally grounded ways of life".

Robertson is now known for his advocacy of a multi-layered currency system to replace the current system of a single national currency.

Books by James Robertson

The Sane Alternative: A Choice of Futures, 1978

Future Wealth: A New Economics for the 21st Century, 1990

'The Reform of British Central Government', 1971

'Profit or People? The New Social Role of Money', 1974

'Power, Money and Sex: Towards A New Social Balance', 1976

Future Work, 1990

Beyond the Dependency Culture, 1998

Transforming Economic Life, Green Books, Devon

In 1989, ten years after Schumacher's death, when **Herman Daly** and John Cobb wrote *For the Common Good*, they began by highlighting certain extreme facts. Between 1950 and 1986, the earth's population doubled. In the same period, the gross world product and fossil fuel consumption roughly quadrupled. As a consequence of this, there is a hole in the earth's protective shield of ozone, the CO₂-induced greenhouse effect is causing potentially disastrous climate change, and bio-diversity is declining at an alarming rate.

"Words ought to be a little wild, for they are the assault of thoughts upon the unthinking" – J.M. Keynes, quoted in Herman E. Daly and John B. Cobb, *For the common good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future*. [Beacon Press, Boston; 1989]

In the late 1980s, many of these were relatively new and controversial issues, often treated more as 'claims' than facts. Thus Daly and Cobb had to begin with an emphatic declaration that the world had already reached the point where further 'growth' along existing patterns of production would increase the ecological costs more rapidly than it would increase economic benefits. This, they wrote, "is the fundamental wild fact that so far has not found expression in words sufficiently feral to assault successfully the civil stupor of economic discourse. Indeed, contrary to Keynes, it seems that the wildness of either words or facts is nowadays taken as clear evidence of untruth. Moral concern is 'unscientific'. Statement of fact is 'alarmist'."

The starting point of Daly and Cobb's exploration was the long standing lament by environmentalists that economists do not pay sufficient attention to the exhaustion of resources and increasing pollution in industrial societies. The reasons for this, Daly and Cobb wrote, is that

economists assume the following: firstly, that the majority of people are more interested in economic goods than in psychological or environmental losses; secondly, that the suffering accompanying industrialization is exaggerated; thirdly, it is the industrializing nations that have grown in wealth; and lastly, that environmentalists underestimate the capacity of capital and ingenuity to create technological breakthroughs.

These assumptions lost ground through the 1990s. Yet various spins on these head-in-the-sand world views are still around - and not merely among professional economists, but also among leaders of business, bureaucrats and politicians. *For the Common Good* (co-authored with theologian John Cobb) appeared at a time when the counter arguments seemed scattered and lacking a coherent theoretical base. Daly and Cobb appealed for an “economics for community” that would be fundamentally different from a quasi-science based on the worship of Homo Economicus. An economics for community would give equal priority to production of adequate goods and services – ensuring that ‘work’ was meaningful and personally satisfying.

Herman Daly, a graduate of Rice University and a Ph.D. from Vanderbilt University, spent twenty years as a professor of economics at Louisiana State University. Daly was deeply influenced by the writings of Rachel Carson and other early environmentalists. This led him to explore the potential for what he called ‘Steady-State Economics’ -- to which he devoted two books in the 1970s.

The essence of science is that it knows the difference between what is possible and what is not possible. The problem with most economists, Daly realized, is that they didn’t know the difference between being a scientist and a magician. This impression deepened when, in 1988, he joined the World Bank as a Senior Economist in its Environment Department. In 1989, the same year that *For the Common Good* was published, Daly co-founded the International Society for Ecological Economics.

For the Common Good drew on most of the tradition outlined above as well as the Catholic critique of both capitalism and socialism. For this Daly and Cobb relied on the work of Heinrich Pesch (1854-1926), a Roman Catholic economist whose work both informed and was informed by papal encyclicals. Pesch defined economics as the science governing the provision of material goods for people living as a community. Pesch favored a “solidaristic system” which rejected the notion of society as a

mere aggregate of individuals, and envisioned an economic order based on a blossoming of community – where the self-interest of the individual is tempered by a concern for the entire community or collective. Yet, Pesch rejected socialism and insisted on a major role for the market.

Pesch’s critique was summarized thus by Richard E. Mulcahey:

“Individualism sees in society no real unity. What it calls ‘society’ is a mere mechanism, the interplay of the actions of individuals seeking their own ends; or it is a mere sum of economic relations. It postulates a natural order based on unrestrained freedom, on whose unhindered effect the



welfare of all depends. The national economy is viewed as a sum of isolated units, which are bound together only by mere exchange relationship. (...) In socialism the concept of the unity of society is distorted. The collective society which it requires present the unity of ‘oneness’ rather than a union of many. The individual is only an ‘associate,’ not an autonomous personality.” [from The Economics of Heinrich Pesch; New York: Holt, 1952; quoted by Daly and Cobb; p.16]

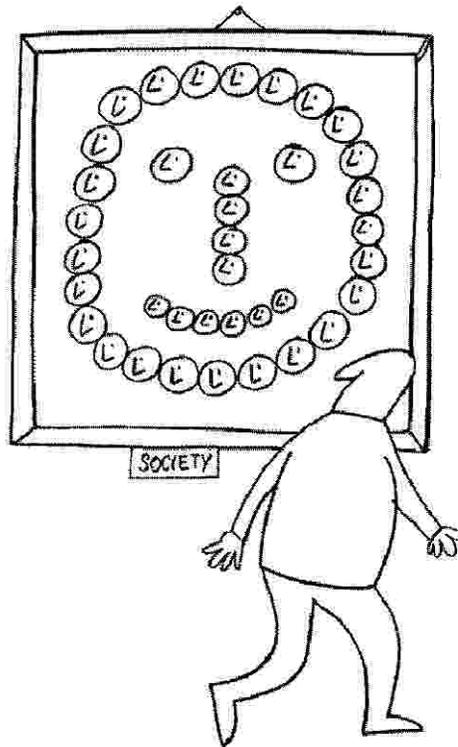
Pesch’s work is also valued by Daly and Cobb because he envisioned human community as part of a larger community of other living beings and the total web of life on which everything depends – that which Wendell Berry has called the Great Economy.

The failure to accord supreme importance to this Great Economy means that “...human beings are being led to a *dead end* – all too literally. We are living by an ideology of death and accordingly we are destroying our own humanity and killing the planet. Even the one great success of the

program that has governed us, the attainment of material affluence, is now giving way to poverty. If we continue on our present paths, future generations, if there are to be any, are condemned to misery." [Daly & Cobb, p.21] The motivating force of *For the Common Good* was the fact that in the late 1980s, many well-meaning people could not see the dead-end inherent in contemporary economic structures.

During his tenure at the World Bank, Daly did succeed in making environmental concerns more important in the Bank's policies and programs. But his critique of economics itself found little support among Bank colleagues. He could not persuade them that the economy must be seen as a sub-system of the ecosystem, not the other way around. Most of his colleagues, he realized, were "basically good-hearted folks out trying to do good in the world, like the church, like the missionaries. But they have a bad theology. They went to the wrong seminary."

It has been suggested that if economics is a religion, then Herman Daly is its arch-heretic, "a member of the high priesthood turned renegade" who has excommunicated himself from the "Church of Perpetual Growth" [www.gristmagazine.com; article on Wealth of Nature, by Lissa Harris; 10 Apr 2003]. In 1994, when he returned to academia after leaving the World Bank, Daly found a place not in the economics department, but at the University of Maryland School of Public Policy. The economists, he told one interviewer, would not have him and he was not too keen on their company either.



As an academic book, *For the Common Good* did well, with over 40,000 copies in print. But it did not make any impact within the discipline of economics. In some ways, Daly is a disappointed man. In spite of a wide range of efforts by people like himself, the mainstream of economics has not moved any closer to the concept of Person in Community. Daly even fears that it has gone further backwards.

There is still very little discussion within economics on Carrying Capacity. "Traditional economics is still waiting for price mechanism and markets to solve everything." This means, laments Daly, that the solution to every problem is growth. "Thus the solution offered for poverty is not redistribution but growth." (From interview with Daly at University of Maryland in August 2003.)

Daly has not lost heart. He rejoices in the growth of ecological economics, a branch of the mother discipline, to which he has committed most of his energy over the last decade or more. The journal of ecological economics now has 2000 members world-wide, a modest success in academic circles. Plus work from this branch is being taken more and more seriously in other disciplines. Ecological economics sees human economy as a sub-set of the eco-system and emphasizes the metabolic flow of the world in which we live. Nature, both organic and inorganic, becomes the extended body of man.

In 1996, Daly won the Right Livelihood Award 'for defining a path of ecological economics that integrates the key elements of ethics, quality of life, environment and community'. Work like Daly's has given the term 'new economics' a different meaning from what it had some fifty years ago.

Further reading:

Daly, Herman and Cobb, John *For the Common Good: Redirecting the Economy Towards Community, the Environment and a Sustainable Future*; Boston: Beacon Press; 1989

Daly, Herman, *Steady State Economics*; Washington D.C: Island Press; 1991 (2nd Edition)

Herman Daly, *The Irrationality of Homo Economicus* ; Developing Ideas Digest, <http://www.iisd.org/didigest/special/daly.htm>

[C.eldoc1/0703/NE1_Interview_with_Herman_Daly.html]

Daly's farewell speech when he left the World Bank,

<http://www.whirledbank.org/ourwords/daly.html>

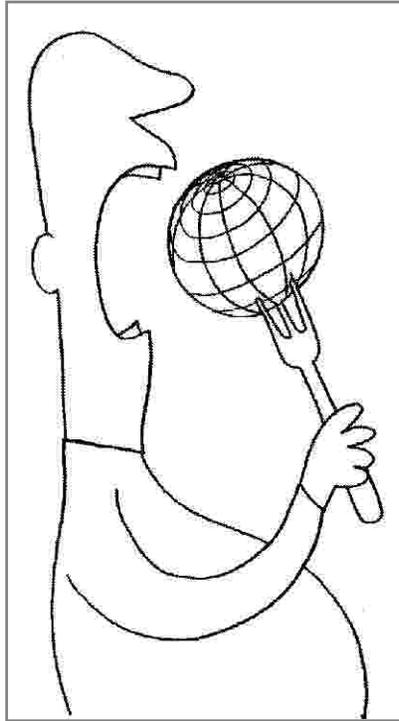
[C.eldoc1/0703/NE1_Farewell_Speech.html]

Steady-State Economics, <http://dieoff.org/page88.htm>

[C.eldoc1/0703/NE1_Steady_State_Economics.html]

At the core of all these critiques is an unrest with, and even revolt against, the limited and somewhat warped view of human nature and motivation on which conventional economics is based. This is a view of humans as essentially selfish *individuals* bent upon maximizing their own satisfaction or 'utility'. Satisfaction comes from consuming and people's needs are expressed in terms of what they are prepared to pay for consumption.

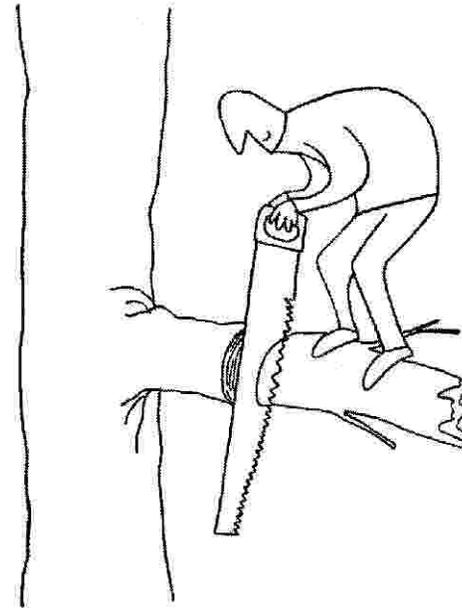
Proponents of 'economics as if people mattered' are attempting to strike a healthier balance between the human capacity for both selfishness and altruism. This means creating a system of rights and obligations, risks and rewards that attempts to channel people's selfishness into the common good and also to prevent the selfishness of some from damaging the interests of others. This is the crux of humanist economics.



The Road to Wealth Beyond Measure: Some Basic Concepts of New Economics

“There is more to the economy than the market. The earth is not flat. We need a new map of the real world. The map provided by government and prepared by economists is fatally incomplete. It defines reality exclusively in terms of money transactions. That’s all the GDP measures. It is a flat earth view.”

–Edgar Cahn, community currency pioneer in the USA
in ‘No More Throw Away People’



This flat earth view of conventional economics is held guilty of fostering many of humanity's most pressing problems. Firstly, it defines economic progress in ways that are destroying the very ecosystem on which it subsists. Secondly, this model of progress while creating new material wealth, also tends to transfer a great deal of wealth from the poor to the rich. Thirdly, it virtually excludes ethical and spiritual values from the center of economic life. Fourthly, it is rooted in the mechanistic and reductionist approach of the modern scientific paradigm.

Today the New Economics rubric refers to efforts which challenge these conventional axioms and attempt to reframe them. These efforts are founded on the recognition that economics is not value-free and thus can never be an objective science. It follows that economics must be a normative discipline based on a more realistic and wholesome view of human nature. New Economics is flourishing in the space freed by the withering away of the delusion that the world must choose between communism and capitalism. It seeks to free humanity from an excessive emphasis on individualism and competition, without denying the positive elements of both. It is committed to the construction of democratic, institutional frameworks of mutuality and co-operation, rights and responsibilities, together with the mechanisms for their impartial enforcement.

As a response to the planet's severe ecological crisis, New Economics attempts to take the industrial economy back to the drawing board to rediscover and redefine notions of efficiency and optimum use of resource. Thus it is also sometimes known as Green Economics. It stresses the need for humanity to face up to the ecological limits of its activities by turning the consumer society into a conserver society. The challenge is how to do this while safeguarding freedom. New Economics is not just opposed to market fundamentalism. It is just as wary of any moves that might lead to a centralizing, non-participative and potentially authoritarian state. Paul Ekins and others suggest that the constraints required by sustainability will have to flow from limits that are internalized deep within the social fabric, not imposed by force or by one group against another.

This may seem absurd at a time when much of the global economy depends on endless multiplication of people's wants and thus consumption. But as Ekins and others untiringly remind us, and as Adam Smith repeatedly affirmed, people are also powerfully moved by individual conscience and fellow-feeling. The trouble is that over the last two hundred years these traits have usually failed to feature in how economic behavior is understood or defined.

By contrast, New Economics makes room for the conscience and compassion of individuals and their links to the natural world without unrealistically idolizing these traits. Instead, proponents of New Economics see these traits in more practical terms as energizing and inspiring.

As Ekins et al write in *Wealth Beyond Measure*:

"Moral sensibility and fellow-feeling do not require self-sacrifice. The biblical injunction is to love thy neighbor as, not instead of, thyself. Green economics' sympathy for others proceeds from a healthy concern for personal growth and fulfillment for oneself. Whether this concern can build a power that will put greed and markets in their place, we cannot yet know. The only way to know is to try it and find out." [Wealth Beyond Measure by Paul Ekins, Mayer Hillman and Robert Hutchison, Gaia books, 1992; p. 182]

From this vantage point, the economic sphere of the 21st century is seen as a multi-level one-world system, with autonomous but inter-dependent component parts. Starting with individuals and households, this system would simultaneously serve the needs of exchange at local, national and international levels. The point is to ensure that each larger unit is geared to enabling the smaller units within it to be more self-reliant and conserving. But this cannot be done without re-examining and re-defining basic economic concepts such as wealth creation and capital accumulation; efficiency and productivity; dependence, interdependence and self-reliance.

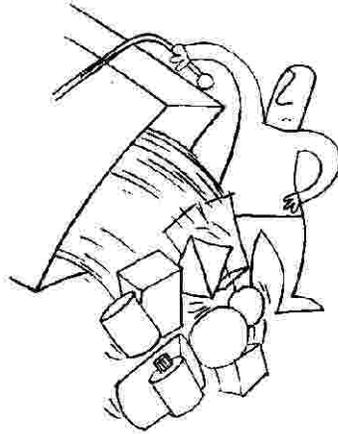
Wealth Beyond Measure was thus designed as an atlas of concepts. The title alludes both to wealth that is priceless and therefore cannot be measured, as well as to sustainable, universal abundance on a scale that challenges both our imagination and existing measurement skills! Though this basic text was published in 1992 and the ideas have undergone further refinement, it remains a good guide to the core ideas of New Economics and how it differs from conventional economics.

James Robertson has written that there is need for a new economic order which "must be geared to the real needs of people and the Earth. It must be both enabling and conserving. It must restore to the word 'wealth' its original meaning of wellbeing....It must accept that the era of 'the wealth of nations' is past, and treat the 21st century economy as a multi-level one-world economy." [*Future Wealth: A New Economics for the 21st Century*; ATOES Book; Bootstrap Press, NY, 1990]

Wants and Needs

Green economics makes a clear distinction between wants and needs and seeks to satisfy both. Its focus, however, is on welfare creation rather than satisfaction of endlessly expanding, insatiable wants. Thus, "green

economics is the economics of enough.” [Wealth Beyond Measure, p.31] Naturally, there would be no static definition of ‘enough’. It would be a fluid social and cultural process of the kind that is giving rise to the voluntary simplicity movement in the USA.



The term ‘voluntary simplicity’ now applies to a wide range of initiatives and social trends in the USA. It is traced back to the book *Voluntary Simplicity: Toward A Way Of Life That Is Outwardly Simple, Inwardly Rich* by Duane Elgin, which was first published in 1981. This book went on to be recognized as a powerful and visionary work in the emerging dialogue over sustainable ways of living. Elgin is not advocating that people live in poverty, instead this is an exploration of how to live with balance. Since then the patterns noted by this book have grown as an increasing number of Americans are adjusting their day-to-day living according to an active, positive response to the complex dilemmas of our time. By embracing, either partially or totally, the tenets of voluntary simplicity – frugal consumption, ecological awareness, and personal growth--people can change their lives. And in the process, they have the power to change the world.

For more details on these trends see:

http://www.google.com/Top/Society/Lifestyle_Choices/Voluntary_Simplicity/

Wealth distribution

Green economics has two central objectives: the elimination of poverty and the maintenance of the economy at its optimal ecological size (i.e. what the biosphere can handle). The notion of optimum involves many aspects including number of people, the ecological footprint of their consumption patterns, the ethical basis for extracting and using natural resources and so on. This would mean addressing a question that currently does not feature in the mainstream discourse: do living things have a right to exist independently of their usefulness to human beings. Can our species claim the right to reorder the rest of nature purely for its own convenience? [Wealth Beyond Measure, p.33]

A Progressive Market and the State

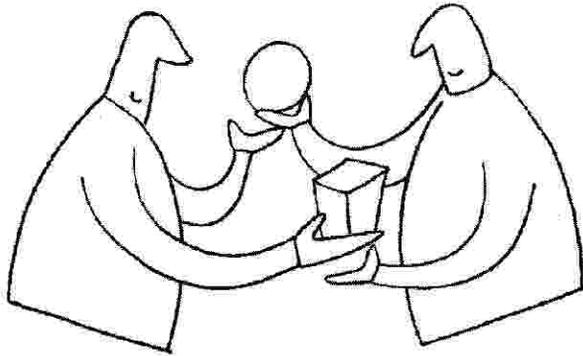
The market and the state are seen in complementary roles. The Market is valued as a marvelous and essential mechanism which gives expression to individual preferences. While conventional economics defines individual preference in terms of narrow self-interest, a green economics visualizes a progressive market in which consumers’ choices include ethical, social, and environmental considerations.

Many big brands have already seen sales decline following disclosures about their products being made by paying a pittance as wages or by causing environmental havoc. Consequently, the phenomenon of Socially Responsible Investing has moved out of the margins and closer into the mainstream. It is no longer rare for companies to commit themselves to social or economic objectives which are over and above what is mandatory by law.

The state is required not only to make and enforce the rules, but also to correct market failures. For example, the state has a key role in ensuring that polluters pay damages, monopolies do not form, companies divulge information required in the public realm, basic human rights are respected, high-quality education and health care are available to all and so on. The state is also required to support, encourage and recognize the importance of household and voluntary economies. Going beyond an enabling role, the state is further asked to guarantee a decent, minimum standard of living to those who, through age or disability, have special needs. [Wealth Beyond Measure, p. 79]

Money

Green economics values the usefulness of money in its conventional functions but also sees the need for various kinds of monetary reform. Fundamentally, new economics is concerned with putting money back in its place as a convenience, a useful tool which must not be confused with wealth itself. This means that the flow of money between companies, households, and government is given due importance but this is just one part of the story. There is also need to take stock of the ‘social economy’, sometimes also called the ‘core economy’ or ‘love economy’, which does not use money. According to one estimate, households and other forms of voluntary activity, self-help and barter produce an equivalent of almost one third of the world’s gross annual product.



'Green money' would aim to reflect wealth created by real goods and services rather than notional 'value' generated by speculative arbitrage or unproductive paper transactions. Such monetary reforms would also aim to ensure that the banking system favors those who can make productive use of money whether they are rich or poor. Green money would impose strict financial discipline on government as well as controls on consumer credit in order to guard against inflation.

"Wealth creation and money creation are two entirely different things. Wealth is created by the application of human skills to natural resources in the myriad ways that produce useful goods and services. Planting crops, assembling computers, building houses, and publishing a newspaper are all examples of production of wealth. Money, on the other hand, is a human contrivance; it is a symbol created by a deliberate process involving entities called banks." - Thomas H. Greco, Jr., scholar and activist of community currencies [MONEY: Understanding and Creating Alternatives to Legal Tender; Chelsea Green Publishing; 2001]

Green Wealth

The concept of Green Wealth rests on seeing the economy as just one of the four essential dimensions of the human condition. The other three are society, ecology, and ethics. In this context 'development' is defined as progress of the society towards goals it has set in all these spheres. Then wealth is what enables society to meet those multi-dimensional roles. As the authors of *Wealth Beyond Measure* note: "The idea of Green Wealth

neither rejects money nor goods but these will be embedded in a broad context, acknowledging the rich diversity of human experience and the fact that money can contribute only to part of it. It will put the Midas touch at the service of humanity that also knows how to value the human spirit, the bonds of community, and the other forms of life on Earth." [Wealth Beyond Measure, p.41]

The basis of Green Wealth is a four capital model, including the ecological domain: the processes of the biosphere which sustain human life. Even human capital is defined not merely as 'person hours' of labor but in terms of actual health, knowledge, skill and motivation of workers. Thus it is important to distinguish between monetary and non-monetary wealth. The latter refers to structures like community, family, and other social formations that potentially engender well-being. It follows that the market price of a commodity may not fully reflect its *worth* in ways that account for social, ethical and ecological values. This is why there are severe limitations to economists' efforts to price non-monetary wealth by reference to conventional markets. For example, the view from your window can be translated into monetary terms by the real estate market. Similarly, the burden of living under an airport's flight path translates into money by lowering the value of that property. But beyond a point this exercise leads to absurdity if, for example, you try to determine the 'price' of love, friendship and family. Indeed it is only the most fanatical economist who would attempt to explain these values in terms of scarce resources and competing uses. [Wealth Beyond Measure, p.44]

Ecological Accounting

New Economics also seeks to displace Gross National Product as the sole measure of prosperity. It aims to create more realistic and wholesome measures that reflect both human welfare and ecological sustainability. In the early 1990s, Ekins and others proposed that various elements be added to and subtracted from the GNP to produce a more realistic indicator of real income, which could be called the Adjusted National Product (ANP). The basic objective of ecological accounting is to identify and monitor the crucial economic functions of environmental 'services'. The New Economics thinking was supported by the Brundtland Report's recommendation that there is need for an annual report, and audit, to track changes in environmental resources. Traditional annual fiscal reports have not done this. Over the last decade and a half, a whole range of environmental and social well-being indexes have come up. [Wealth Beyond Measure, p.62-64]

For example, the New Economics Foundation has designed an index called Measure of Domestic Progress (MDP). The MDP adjusts the conventional economic measure of GDP by subtracting the costs of crime, pollution and environmental degradation, since all of these have a negative impact on quality of life. The MDP calculations show that social progress has been decoupled from economic growth in Britain for about three decades. As a report by the NEF said:

“The idea that we were better off, in terms of quality of life, even though we had far less spending power and an uncertain financial situation, is central to ‘new economics’. The MDP, which has struggled to grow at half the rate of GDP over the last 30 years, comes out much closer to measures of happiness and life satisfaction than GDP does. GDP has driven politics in the UK and the western world for the last 50 years or so, but the MDP asks the question ‘what is all that economic growth FOR?’, if it doesn’t improve our well-being?”

Growth

The most daunting challenge for New Economics is to contend with and redefine the conventional concept of economic growth. Till the end of the 1990s, any criticism of the growth imperative was dismissed as a prescription for stagnation and decay. However, it has been clear for some time that true growth needs to be both sustainable and inclusive. The challenge is to evolve an industrial and commercial culture that would simultaneously meet the livelihood needs of all, but also restore and preserve the ecological balance. [*Wealth Beyond Measure*; p.182] This means diligently mapping the complicated interface between economic growth and environmental sustainability partly by integrating environmental and economic accounting (for example, by connecting the economics of climate change with environmental taxation). [*Economic Growth and Environmental Sustainability* by Paul Ekins; Routledge; 2000]

Proper Valuing of the household sector

Even in industrial countries, the production by households has been valued at 25-40 percent of GNP. Yet conventional economic analysis ignores this wealth in national accounts, and the women who are the bulk of its producers are classified as ‘economically inactive’. Naturally, the percentage of household production is much higher in less industrialized countries.

As Ekins et al state:

“If the household sector is important, no less so are the voluntary, community-based societies, organizations, and movements that also create non-monetary wealth. (...) Human rights groups safeguard our basic freedoms; peace groups confront the arms race; environmental groups work for a secure future; women’s groups give gender solidarity and provide the backbone of community life in many countries.”

“There is no way that the wealth-creating contributions of these diverse groups can be given a financial tag. Yet for many people they are already the difference between life and death. And because they are tackling the big issues of our time – peace, human rights, environment, and development – it is possible that they will perform the same service for humanity as a whole.” [*Wealth Beyond Measure*; p.68]

“The hard-working chindi workers, embroiderers, cart pullers, rag pickers, midwives and forest-producer gatherers can contribute to the nation's gross-domestic product, but heaven forbid that they be acknowledged as workers!... Because they fall through this web of terminology, the livelihoods of millions of people are not perceived as work and therefore remain uncounted, unrecorded, unprotected, and unaddressed by the nation. They remain conveniently 'invisible' to policy makers, statisticians, and theoreticians. Dividing the economy into formal and informal sectors is artificial it may make analysis easier, or facilitate administration, but it ultimately perpetuates poverty. Until the International Labour Organization (ILO) was forced to acknowledge the growing numbers of home-based workers, even international trade unions did not wish to recognize them as workers; instead they considered them a threat to the organized labor movement.”
Ela Bhatt in her book *We are Poor But So Many*, OUP, 2006[B.A35.B60]

Before taking our gaze away from this brief review of *Wealth Beyond Measure*, one point needs to be strongly emphasized. It is clear to most innovators of this sphere that a Green Economy cannot be legislated from above, any more than a New Economics can be crafted in academic cloisters. Governments can, at best, remove obstacles and enable consolidation of good practice.

The key moving energy, must come from all of us:

“There is a huge amount everybody can do here and now in their own lives to become part of the Green economic solution, as producers, consumers, investors, parents, partners, friends, and neighbors. In building a Green economy, motivation, information, and moral commitment are more important than money.” *[Wealth Beyond Measure]*

Paul Ekins is co-founder of The Other Economic Summit (TOES), the Living Economy Network and of New Consumer. He is research director of Right Livelihood Award and currently Professor of Sustainable Development at the University of Westminster. He also heads the Environment Group of the Policy Studies Institute (PSI) in London.

While working on Wealth Beyond Measure, Mayer Hillman was head of the Environment and the Quality of Life Program at the PSI and Robert Hutchison was a Senior Research Fellow at the PSI.

Ekins' own trajectory reflects the expanding richness of work on 'wealth beyond measure'. He was first drawn into these concerns as a political activist in the early 1980s, and only later ventured into an academic career with a PhD in economics. While the ideas in Wealth Beyond Measure were around in raw form since the late 1970s, much of the serious writing on them appeared in the late 1980s and early 1990s. For example, Ekins edited The Living Economy – a collection of essays that drew on the discussions at, and papers from, the early years of the TOES process.

These efforts contributed to the birth to the New Economics Foundation (NEF), at London in 1986, as an instrument for fostering innovative research and action with a focus on communities. Over the last twenty years NEF has become a highly reputed “think-and-do tank” and one example of new economics in action.

For more on Ekins' ideas see
International Trade at Crossroads by Paul Ekins
www.ap.harvard.edu/mainsite/papers/tne/ekins/ekins.pdf
[C.eldoc1/0705/NE1_ekins.pdf]

The Rise of New Economics Activism

“I am convinced that accepting the conventional supply-demand model of the economy is rather like believing that the world is flat, or that the sun revolves around the earth.

...The equilibrium price-auction view of the world is a traditional view with a history as old as that of economics itself: the individual is asserted to be a maximizing consumer or producer within free supply-demand markets that establish an equilibrium price for any kind of goods or service. This is an economics blessed with an intellectual consistency, and one having implications that extend far beyond the realm of conventional economic theory. It is, in short, also a political philosophy, often becoming something approaching a religion.”

– Lester Thurow in *Dangerous Current: The State of Economics*. [Random, 1983]

“There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer, than to introduce a new order of things; for he who introduces it has all those who profit from the old order as his enemies, and he has only lukewarm allies in all those who might profit from the new. This lukewarmness partly stems from fear of their adversaries, and partly from the skepticism of men, who do not truly believe in new things unless they have actually had personal experience of them.”

– Machiavelli in *The Prince*.

The Other Economic Summit New Economics Foundation
Post-Autistic Economics Network
SANE - The South African New Economics
Bia Kud Chum - Community Currency
Cooperatives: Mondragon and Sewa
Measuring Well-being: Genuine Progress Indicators and Gross National Happiness

New Economics activism is wide and varied. Here we offer a few sparse glimpses of representative processes and organizations in the field.

The Other Economic Summit

In 1983, a smattering of British activists influenced by different shades of the humanist economics tradition came together to organize a counter-summit in contrast to the annual gatherings of the G7 nations.* They created a platform called TOES, or The Other Economic Summit. The first TOES was held in 1984 in London, a short distance away from the venue where the G-7 leaders were meeting. This platform brought together a diverse group of alternative economists, greens and community activists from across the world. Their purpose was to show that there are other ways of organizing the economy. TOES also challenged the G7 leaders' right to speak for the world. With the success of that first counter-summit in London, TOES became an umbrella term, with similar meetings organized around the world over the next two decades.

As James Robertson later recalled:

“One aim of TOES was to build an international citizen coalition for a new economics grounded in social and spiritual values to address concerns the G7 consistently neglects – such as poverty, environment, peace, health, safety, human rights, and democratic global governance. TOES has since become an annual companion to the official G7 meetings. Since 1984, the enormous growth in environmental awareness and the collapse of world communism have demonstrated what effective citizen movements can accomplish and have created important new openings for a post-modern approach to economic policy.”

*Among others, this group included Jonathan Porritt, a leading figure in the British Green Party; George McRobbie, who along with Schumacher had co-founded the Intermediate Technology Development Group back in 1965; Paul Ekins, who in those days was a musician; and James Robertson.

TOES Chronology

- 1985 – TOES Germany
- 1986 – TOES Japan
- 1987 – TOES Italy
- 1988 – TOES Toronto, Canada
- 1989 – TOES Paris, France
- 1990 – TOES Houston, USA
- 1991 – TOES London, UK
- 1992 – TOES Munich, Germany
- 1993 – TOES Sydney, Australia
- 1993 – TOES Italy
- 1994 – TOES Melbourne, Australia
- 1994 – TOES Japan (organized by the Seikatsu Club Consumer Co-op)
- 1995 – TOES Halifax, Canada
- 1995 – TOES Adelaide, Australia
- 1996 – TOES Lyon, France
- 1997 – TOES Denver, USA
- 1999 – TOES UK, organized by New Economics Foundation
- 2000 – TOES Okinawa, Japan

Among other things, the TOES gatherings demanded that the system of global economic governance be democratized. TOES suggested that the G7 Summits should be replaced by a more representative World Economic Council working within the UN system and responsible for coordinating the work and policies of the UNDP, the World Bank, IMF, GATT and other such organizations. Apart from this official body, the need for an independent citizen forum was also visualized. TOES aimed to play that role as an independent, annual international forum for NGOs, grassroots struggles and concerned citizens from across the world. This

civil society platform was able to make room for a more diverse range of views than the official governmental summits because the participants could take a wider view of reality. Their purpose was to ensure that the vital interests of the disempowered were not completely ignored.

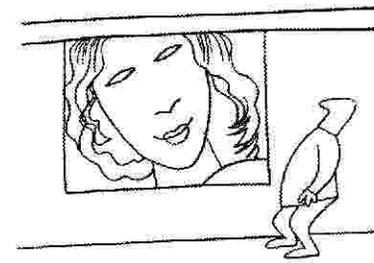
The TOES process became one of the nodal points for articulation of new economics thinking and exchange of ideas among its proponents. This included both political activists and academics who were challenging the neo-liberal orthodoxy from various different angles. The TOES meetings became a veritable 'agora' for those who challenge the prevailing global economic order. Much of this work is reflected in *A World That Works: Building Blocks for a Just and Sustainable Society* (see below).

TOES Documents

- [Routledge & Kegan Paul *The Living Economy: A new economics in the making*, ed. Paul Ekins; 1987].
This is a compilation of the alternative economic concepts and strategies developed and showcased during the TOES conferences in London in 1984 and 1985.
- *TOES in Tokyo: The Other Economic Summit 1986 - Report and Summary*.
- *First Annual G7 Report Card on Bretton Woods Reform*, June 25, 1996. Published by the Halifax Initiative that grew out of responses to the G7 Summit by a group of North American environmental and social justice NGOs.
- Trent Schroyer ; *A World That Works: Building Blocks for a Just and Sustainable Society* ed. Bootstrap Press, NY.; 1997
- Dr. John Hermann, *TOES Australia Newsletter*
A regular high quality newsletter, which is distributed to members. For this publication contact: 3rd TOES convenor, PO Box 505, Modbury, SA 5092, Australia. Also check the web site of Economic Reform Australia (ERA) <http://dove.mtx.net.au/~hermann/erahome.htm>. Dr. John Hermann, convenor of the 3rd Australian TOES, can be reached at : hermann@dove.net.au.

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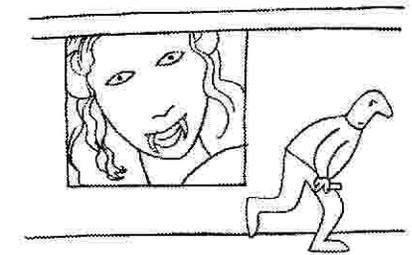


which led to the large and multi-national gatherings of the World Social Forum first held at Porto Allegre, Brazil, in 2001. Though the WSF platform is marked by vociferous opposition to capital driven globalization, underlying this is a quest for alternatives to existing ways of organizing economic life.

Robertson sees these developments as indications of a worldwide movement for a new kind of economics. But he takes a grim view of the impact on the mainstream. When asked if the new economics agenda was at least inching its way into the mainstream discourse, Robertson's answer was an emphatic 'no'. Given the scale of various crises, the percolation of such thinking into the mainstream discourse is far too slow. The blame for this rests with many different blockages ranging from deeply entrenched power structures to false theories, plain inertia and lack of attention to the need for large, long-term structural change. How will such change come about? Robertson writes:

"Personally, I can't see any sudden 'big-bang' answer... in the immediate future. We have to keep working out and spreading understanding of constructive proposals for change, and keep looking out for opportunities to widen support for them. To take one example, I think the present shifts in worldwide opinion over the whole constellation of issues involved in the US, al-Qaeda and Iraq affair may provide an opportunity to spread awareness of the injustice, inefficiency and undemocratic nature of the present international financial and economic system, and to interest more people in constructive proposals for changing it."

The Rise of New Economics Activism
Unfortunately much of the broad-based work within TOES for a new kind of economics has been obscured by media reports which misleadingly depict it as just an anti-globalization movement. It is true that TOES was a precursor of the decentralized global process



This process has also made a vital contribution to the creation of an international network of activist groups committed to various shades of perspectives on new economics.

New Economics Foundation

The formation of TOES led to the birth of the New Economics Foundation (NEF) in the UK.

The NEF is a think-and-do-tank working for a “new model of wealth creation, based on equality, diversity and economic stability.” The NEF’s newsletter carries the logo: “economics as if people and the planet mattered”.

Though it began as a modest organization, the NEF has been intensely engaged on many fronts from the outset: the possibility of sustainable cities; the new economy of information; and a project on religions and new economics involving dialogue with people of different faiths and looking at the economic experiences of children from different faiths. The latter project led to a children’s book on religion and economics. NEF’s work falls into broadly four areas: community, work, democracy and global economy.

“Many of the ideas developed by the NEF and sister organizations around the world seemed obscure or unlikely when we first set them out. We look forward to monetary reform moving to the center stage of public and policy debate in the way that eco-taxes, stakeholding and debt cancellation have done. We invite your participation in helping to shape this debate for the economy of the future.” – Ed Mayo, former director of NEF [Foreword to *Creating New Money* by James Robertson]

A registered charity, NEF is funded by individual supporters, public finance, businesses, and international grant-giving bodies. The radical edge of NEF’s vision may still be out on the fringe, but many of the ideas nurtured within its walls have actually become public policy. So what has the NEF been up to?

It has promoted the spread of Time Banks, a particular kind of community currency. It has also designed sustainability indicators which measure aspects of life that were earlier inadequately accounted for or never measured at all. For example, the NEF has evolved ways of mapping the

value of social connections, justice, participation and environmental sustainability. This work on indicators, though largely focused on the UK, has fueled a global trend of trying to map how economic growth and sustainability often diverge. The data provided by the alternative indicators plays a key role in measuring the actual, ground level, impact of economic policies. Citizens then find it easier to hold policy makers accountable and to generate political opinion to press for changes. Thus well-being and sustainability indicators are simultaneously a means of social engagement as well as a management tool. (See section on Genuine Progress Indicators and Gross National Happiness).

Local and small business has been another major focus of NEF’s work. Its 2001 publication, *Homeopathic Finance Equitable Capital for Social Enterprises* by Pat Conaty, showed how growth of social enterprise is held back due to lack of finance and appropriate legal structures. Conaty’s report, based on the practical experience of social entrepreneurs, recorded innovative practices which overcome these barriers.

Similarly, the NEF study “Low Flying Heroes” showed that much of Britain’s economy depends on almost a million ‘off-the-radar’ community-level micro-social enterprises. These enterprises, which range from child-care facilities, to community theater groups and cafés to credit unions, involve up to 5.4 million people. This social capital is not only largely unstudied and undervalued, it suffers due to various bureaucratic obstacles. NEF’s various projects have not only outlined the complex needs of these informal organizations, but also lobbied with government to foster systematic support for them. [*Low-Flying Heroes: Micro-social enterprise below the radar screen* by Alex Macgillivray, Pat Conaty and Chris Wadhams, New Economics Foundation, 2001]

NEF’s Local Money Flows Measurement program has developed the “Local Multiplier 3” tool, which enables communities to monitor and map how money flows through the local economy. Such monitoring helps to demonstrate how both individuals and local businesses benefit when more money stays within the local community, rather than rapidly moving out. [*The Money Trail* published jointly by NEF and The Countryside Agency in 2002]

In collaboration with Friends of the Earth and the Center for Environmental Strategy (University of Surrey), NEF developed the Index for Sustainable Economic Welfare for the UK. NEF has also worked at the local level, in Britain, helping communities to use indicators in ways that make a difference to their quality of life. However, NEF has been careful

to point out the limitations of this useful tool. After all, even alternative indicators cannot measure, or identify, the essence of what is socially and morally valuable.

NEF's feasibility work has also led to the creation of a 40 million pound venture fund by Sir Ronal Cohen to take venture capital into disadvantaged areas. The NEF initiative for a Community Investment Tax Credit has been accepted by the British government and will lead to over one billion pounds being made available for investment in inner city areas. This is expected to help generate about 100,000 jobs or livelihoods.

The London Rebuilding Society, an off-shoot of the NEF, is lending money and providing financial advice to micro-entrepreneurs, businesses and social enterprises in disadvantaged areas. It encourages market development along with developing a creative mix of services for local people, including social housing, arts, leisure and child care.

From 1995 to 2000, NEF carried out a series of pioneering social audits of companies such as Camelot, The Body Shop, Traidcraft, the Co-operative Wholesale Society, and Ben and Jerry's. Such audits measured and evaluated a company's social and ethical performance, thus making it more accountable to its stakeholders. NEF's work has also demonstrated how such audits enable companies to manage their affairs more effectively. This work was in turn instrumental in the formation of the Institute of Social and Ethical Accountability to promote professional standards around social accounting and auditing.

As a corollary of this, NEF helped to widen the space for discussion about trade liberalization. This naturally meant tackling the resistance, within official and academic circles, to recognizing the theoretical flaws in the neo-liberal model. NEF has been among the most consistent voices on how and why economic growth continues to be defined in unsustainable ways. Years before it was commonly acknowledged, the NEF warned that climate change would soon become the organizing principle of the world economy. NEF's Andrew Simms pointed out the absurdity of 'global governors' - namely the IMF and World Trade Organization - clinging to abstract economic theory as though it were more important than the real world. Simms stressed economic theory's vulnerability to environmental disasters and even pleaded for a daily prayer to "deliver us from the abstraction." Within a few years it came to be widely accepted that the monetary toll of climate change could trigger a global economic crisis.

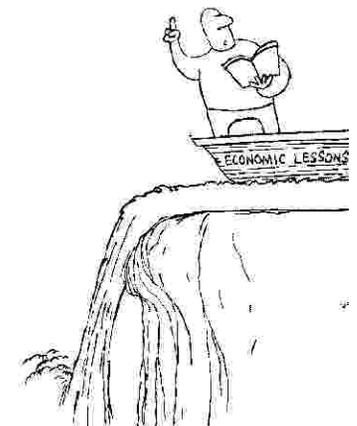
By 2003, the significance of NEF's various innovations was widely recognized.

Even *The Economist*, which otherwise continues to ignore or dismiss much of the new economics thinking, referred to NEF as "the most innovative and eclectic think tank in the field today". The story of NEF is important, not only for itself but as an example of such institutions emerging in different parts of the world. Thus NEF director Ed Mayo could say with justifiable satisfaction that many of the ideas developed by the New Economics Foundation and its fraternal organizations around the world, which once seemed obscure and unlikely, have become widely accepted.

At the start of the 21st century, NEF could look about with satisfaction to find some of its ideas absorbed into mainstream policy, such as eco-taxation, social reporting, and sustainable development indicators. Time Banks set up with the involvement of NEF were buzzing with activity all over the UK. Ethical investments, a fledgling concept in the mid-80s, had taken off. The Jubilee 2000 campaign succeeded in getting commitments for \$34 billion worth of debt cancellation for the poorest countries of the world. NEF has become a resource center for people looking for both conceptual clarity and 'how to' advice on many vital areas - such as Social Audit, Community Indicators, Micro Credit, Community Land Trusts, or Cooperatives.

However, visible progress was clouded by the NEF assessment that in the same 15 years the global situation has deteriorated further, with deepening inequality and climate change threatening our long-term survival. Efforts like NEF essentially see themselves as being a work-in-progress. Across the world, there is a wide range of such initiatives today. It is not surprising that at least two of the reformist activities allude to conventional economics as being mentally challenged - the politically correct way of saying 'handicapped'.

There is SANE, or the South Africa New Economics network. And there is the Post-Autistic Economics network, which is a revolt within the economics departments of leading universities across the world.



These are all symptoms of what Trent Schroyer, one of the coordinators of TOES, has described as “The Church of Economics” undergoing a Reformation.

Post-Autistic Economics Network

The Post Autistic Economics network was born out of a revolt by students of economics at the Sorbonne in Paris in 2000. In a petition, posted on the Internet, the Sorbonne students declared that what they are taught in economics classes is often so out of synch with reality, that it is a form of autism. Since then it has spawned chapters at Cambridge in the UK and at Harvard and other Ivy League universities in the USA. It is now a strong sub-surface current in the economics fraternity. Its on-line journal, The Post-Autistic Economics Review, has 6000 subscribers in 140 countries. It functions primarily as a cyber forum – creating space for a wide range of debates around its mission to re-form economics. The opening page of the PAE website has these words floating across the screen: “Sanity, humanity, science”.

Edward Fullbrook, editor of the Post-Autistic Economics (PAE) Review, is clear that the reform of economics will not come overnight. “Most [economists] are culturally, as well as politically, ultraconservative. Most, even those who might be sympathetic, appear still not to have heard of PAE or of the events in France,” says Fullbrook, who is also editor of *The Crisis in Economics* (Routledge, 2003), a book which explains and describes the PAE movement.

See Post Autistic Economics by Deborah Campbell
<<http://www.adbusters.org/metasp/eco/trucoeconomics/post-autistic.html>>

Among other things, the PAE mobilization helped to win more and more support for the argument that environmental costs cannot be appropriately calculated in money terms. *The Guardian* newspaper wrote: “What sterling figure captures the harm of industrially polluted air, soil or water? The rebels say the use of GDP to calculate prosperity is misleading since it counts disasters positively: the costs of clean-up raise GDP.” [*The Guardian*, London; September 9, 2003]

In the spring of 2003, the PAE revolt stirred things up at the core of Harvard’s Economics Department – with concerted opposition to the content of its introductory course. The opposition to this course came from a petition drafted by Professor Stephen A. Marglin and vociferously supported by SHARE – Students for a Humane and Responsible

Economics. SHARE’s mission statement declares that it aims to:

“improve economics education at Harvard by advocating for a broader diversity in the economics curriculum and by providing a forum on campus for discussion and debate on current economic issues, focusing on the social consequences of global and domestic economic policy.”

SHARE and Marglin posed some basic questions. Why was the introductory course syllabus limited to the neo-liberal economics tradition? Why create the impression that there are no other models in the field of economics? Why wasn’t there a plurality of approaches adapted to the complexity of objects analyzed? By not providing a true marketplace for ideas, the students argued, Harvard was failing to prepare students to be critical thinkers and engaged citizens. According to SHARE’s mission statement:

“We believe that the values and political convictions inherent within the standard economic models taught at Harvard inevitably influence the values and political convictions of Harvard students and even the career choices that they make. Finally, by falsely presenting economics as a positive science devoid of ethical values, we believe Harvard strips students of their intellectual agency and prevents them from being able to make up their own minds.”

Marglin’s complementary course on basic economics at Harvard attracts students partly because it replaces bias with balance. In an interview with Deborah Campbell of *Adbusters*, Marglin said:

“I’m trying to provide ammunition for people to question what it is about this economic [system] that makes them want to go out in the streets to protest it. ...I’m responding in part to what’s going on and I think the post-autistic economics group is responding to that. Economics doesn’t lead politics, it follows politics. Until there is a broadening of the political spectrum beyond a protest in Seattle or a protest in Washington, there will not be a broader economics. People like me can plant a few seeds but those seeds won’t germinate until the conditions are a lot more suitable.” (Post-Autistic Economics by Deborah Campbell; *Adbusters* September/October 2004;
<<http://www.adbusters.org/metasp/eco/trucoeconomics/post-autistic.html>>
[C.eldoc1/0703/NE1-Post-Autistic-Economics.html])

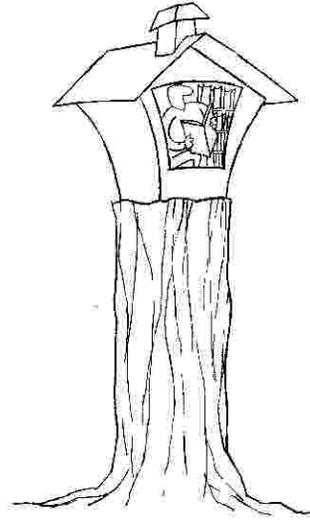
Fullbrook, who teaches at the University of the West of England, is somewhat stoic about PAE's impact within the profession. Says Fullbrook:

"It is my experience that most economists, by general academic standards, read very little outside their little specialties, tend to be culturally detached from their society and do not take seriously anything that does not impinge on them directly. So it is not inconceivable to me that an economist might be the last person to hear of PAE or, if they had, would fail to take it seriously."

Yet, many economists do get quite excited upon hearing about PAE. The network frequently receives emails from academics such as one who wrote, "I just discovered the PAE movement. I've been waiting 20 years for something like this. Sign me up." But the reform of economics will not come overnight. "The neoclassical economists who control the university economics departments will not permit significant reform unless forced" says Fullbrook.

The PAE fraternity specially endeavors to be perceived as independent of any broader non-academic movement. This is not easy. For as Fullbrook said in an email interview: "The hegemony of neoclassical economics in universities is an extremely powerful and ubiquitous political force in today's world, so trying to dethrone it is ultimately a very political pursuit, but the road to that dethronement runs through academic institutions and customs."

This process is being sped along by books like Steve Keen's *Debunking Economics: the Naked Emperor of the Social Sciences* which explains why economics is "intellectually unsound". Keen's book aims directly at the growing band of intellectuals and activists who, as his own website says, "smell something rotten in the state of market". Paul Ormerod's *The Death of Economics* explores similar ground. Plus the debates within the PAE network have been brought together by Fullbrook in *A Guide to What's Wrong with Economics* [London: Anthem Press, 2004]. Addressing the book to students of economics, Fullbrook writes that it "is intended to appeal to your imagination and humanity by showing you how interesting and relevant, even exciting, economics can be when it is



pursued, not as the defense of an antiquated and close-minded system of belief, but as a no-holds-barred inquiry looking for real-world truths."

So what would a 'post-autistic' economics look like? First and foremost, it would drastically alter the notion of homo economicus by taking a more well-rounded view of reality, factoring in not only gender, class and cultural orientation, but also making room for various facets of human instinct greed and generosity, competition and compassion. It would also shift economic inquiry to focus on process in addition to ends. This would require a new theory of knowledge, perhaps pulling down the wall that has divided positive vs. normative approaches in social sciences. As Fullbrook states, "The fact-value distinction can be transcended by the recognition that the investigator's values are inescapably involved in scientific inquiry and in making scientific statements, whether consciously or not. This acknowledgement enables a more sophisticated assessment of knowledge claims."

Theoretical claims would also be more firmly grounded in empirical evidence. Procedures such as participant observation, case studies and discourse analysis would then be recognized as legitimate means of acquiring and analyzing data alongside with econometrics and formal modeling. To again quote Fullbrook: "Observation of phenomena from different vantage points using various data-gathering techniques may offer new insights into phenomena and enhance our understanding of them." This would, hopefully, foster greater interdisciplinary dialogue and bring economists into closer touch with developments in other disciplines, from the social sciences to neurosciences.

Steve Keen, a Senior Lecturer in Economics and Finance at the University of Western Sydney, suggests that a post-autistic economics would be based on dynamic modeling and systems theory, not some fantasy notions of equilibrium. Then the history of economic thought would celebrate Joseph Schumpeter instead of Leon Walras and John Maynard Keynes rather than Milton Friedman. The mechanical view of the world would be replaced by a more biological and organic approach. As Keen points out, "A student of mine once commented that the mechanical analogy encourages economists to tinker with the economy as if it were a car; but if the analogy were that of a rainforest, would economists blithely recommend that the forest would work better if we removed some species from it?" (<www.debunkingeconomics.com/Talks/Keen_YaleER_PAECON_Interview.html> [C.eldoc1/0703/NE1_Yale_Economic_Review.html])

“Neoclassicalism's fiction of a ‘rational’ representative agent, its reliance on the notion of equilibrium, and its insistence that prices constitute the main (if not unique) determinant of market behavior are at odds with our own beliefs. Our conception of economics is based on principles of behavior of another kind. These include especially the existence and importance of inter-subjectivity between agents, the bounded rationality of agents, the heterogeneity of agents, and the importance of economic behaviors based on non-market factors. Power structures, including organizations, and cultural and social fields should not be a priori excluded.

The fact that in most cases [university teaching of economics] is limited to the neoclassical thesis is questionable also on ethical grounds. Students are led to hold the false belief that not only is neoclassical theory the only scientific stream, but also that scientificity is simply a matter of axiomatics and/or formalized modeling.

With the students, we denounce the naive and abusive conflation that is often made between scientificity and the use of mathematics. The debate on the scientific status of economics can not be limited to the question of using mathematics or not. Furthermore, framing the debate in those terms is actually about deluding people and about avoiding real questions and issues of great importance. These include

questioning the object and nature of modeling itself and considering how economics can be redirected toward exploring reality and away from its current focus on resolving “imaginary” problems.

Two fundamental features of university education should be the diversity of the student’s degree course and the training of the student in critical thinking. But under the neoclassical regime neither is possible, and often the latter is actively discouraged. Insistence upon mathematical formalism means that most economic phenomena are out-of-bounds both for research and for the economics curriculum. The indefensibility of these restrictions means that evidence of critical thinking by students is perceived as a dangerous threat. In free societies, this is an unacceptable state of affairs.

We, economic teachers of the world, give our full support to the claims made by the students. We are particularly concerned with initiatives that may be taken at the local level in order to provide the beginning of answers to their expectations. We also hope these issues will be heard by all economics students in universities everywhere. To facilitate this we are ready to enter a dialogue with students and to be associated with the holding of conferences that will allow the opening of a public debate for all.”

From a statement issued by Economics Professors within the PAE network

It is still too early to know whether these varied efforts will eventually overthrow the notion of *Homo economicus* and replace it with a more rounded view of people with all their multi-layered engagements, situated not just within human communities but within entire ecosystems. The need to design environmentally sustainable economic activity has now been established beyond question. But we are still a long way from the point when economics looks at the most fundamental question: what is the optimal scale of a total macro-economic system relative to the earth’s ecosystem?

SANE - The South African New Economics

SANE is a group inspired by the writings of E. F. Schumacher and James Robertson. Its mission statement says that: “‘New Economics’ must not be confused with the more recently introduced concept of ‘The New Economy’ which relates to the economics of globalisation and the information technology revolution.”

SANE aims to work for what Robertson has called a SHE economy (Sane, Humane, Ecological) as opposed to the orthodox HE economy (Hyper-Expansionist). SANE is a network of loosely affiliated individuals and organizations who are worried about the social and ecological

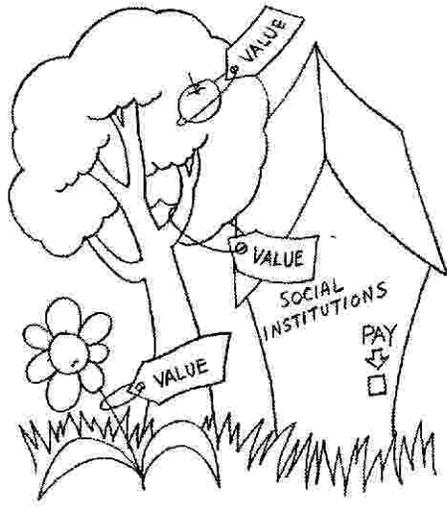
consequences of economics as it is conventionally taught and practiced. It therefore:

- challenges the narrow way in which most economists have tended to reduce people to economic agents, the environment to property, social institutions to markets and progress to growth in production.
- questions the effectiveness and responsibility of the present world economic system in the face of widespread evidence of worsening income inequality, poverty, unemployment, violent crime, environmental degradation, unfulfilling work and disintegration of traditional values and social systems.
- encourages dialogue on alternative economic theories and practices which are more purposefully designed to promote social equity and justice, community self-reliance and ecological sustainability.

This work is rooted in a critique of conventional market economics, whose proponents deem it the best available model, however flawed. This conventional view, argues SANE, fails to acknowledge fundamental systemic faults. These faults will always inhibit real progress because the conventional market system promotes perpetual and ecologically unsustainable growth, economic expansion that does not create livelihoods for all, centralization of economic power, and the undermining of democracy in order to compete with global market imperatives.

As an alternative, SANE proposes the Six Pillars of Sustainability as the cornerstones of New Economics:

- 1] Tax pollution, non-renewable resources, currency speculation and land but reduce income tax.
- 2] Promote local: in food, fibre, fuel and furniture.



3] Restrict international currency movement by using the Tobin Tax* and other 'speed bumps' and direct controls. These will generate local capital generation and direct it to where it is needed.

4] Take control of money creation: revert to the central bank its right and democratic duty to create the money the economy and people need, instead of leaving this to debt-based creation by commercial banks.

5] Support local parallel currencies: this would also promote local livelihoods instead of 'jobs'.

6] Issue a citizen's basic income: it is simple to administer and cuts the bureaucracy of means-testing. It can be issued in the form of a local currency, backed by goods and services offered by local government and financed by affordable formal taxes. The multiplier effect of increased local purchasing power will create work for idle hands and skills.

The Tobin tax is a proposal for a currency transaction tax, which would apply to all trade of currency across borders. Named for the economist James Tobin, the tax is intended to put a penalty on short-term speculation in currencies. The proposed tax rate would be low, between 0.1% to 0.25%.

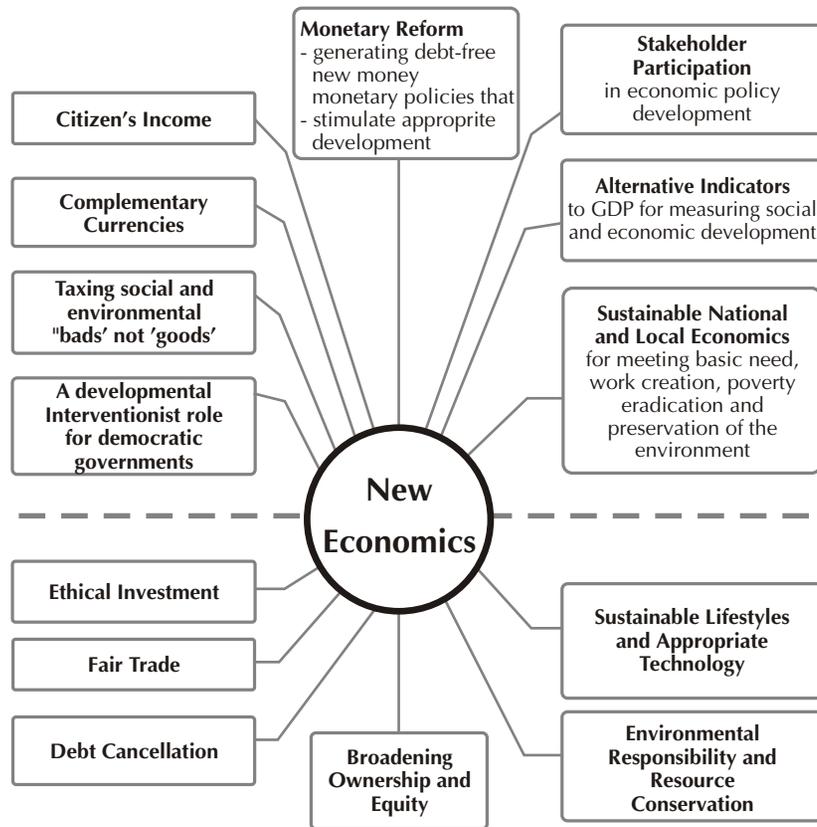
On August 15, 1971, Richard Nixon announced that the US dollar would no longer convert to gold, effectively ending the Bretton Woods system. Tobin suggested a new system for international currency stability, and proposed that such a system include an international charge on foreign-exchange transactions. Professor Tobin later received a Bank of Sweden Prize in Economics in 1981.

The idea lay dormant for more than 20 years. In 1997 Ignacio Ramonet, editor of Le Monde Diplomatique, renewed the debate around the Tobin tax with an editorial titled "Disarming the markets". Ramonet proposed to create an association for the introduction of this tax, which was named ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens). The tax became an issue of the antiglobalization movement and a matter of discussion even in the streets and the parliaments of Britain, France, and elsewhere in the world.

Source: <http://en.wikipedia.org/wiki/Tobin_tax>

New Economics and SANE's Focus

SANE focuses on areas in the top half of the diagram



Source: <http://www.sane.org.za/about/focus.htm>

Sane Solutions

- Formalised participation and co-operation of all stakeholders, including civil society, in economic policy formulation and decision-making
- Debt-free new money created by Government rather than debt-burdened new money generated via bank lending
- Issuing new money in the form of a Citizen's or Basic income, thereby stimulating local economies and eliminating destitution
- Taxing 'bads' rather than 'goods', i.e. using taxes on resource use, pollution and inappropriate activities, to shape economic behaviour
- Responsibility, co-operation and ethical investment and production to meet basic needs
- Technologies, life styles and environments that support sustainable local development
- Use of indicators rather than GDP to measure real benefits and costs of economic development
- Complementary currencies and Community Trading Systems to stimulate local economic development

SANE addresses the systemic and root causes of poverty and unemployment.

Sane Goals

1. The SA government progressively adopts *New Economics* policies resulting in appropriate and sustainable economic development and poverty eradication.
2. Civil Society's capacity to influence Government economic policy is developed; a critical mass of key leaders, organisations and coalitions support and advocate *New Economics* solutions.
3. The development of an effective national coalition of progressive economics-sector NGOs and research organisations aligned to *New Economics*.

Global Income Distribution

40 percent of the world's people get 5 percent of the global income.
10 percent of the world's people get 54 percent of the global income.

United Nations Human Development Report, 2005 [R.Q 12.86]

Bia Kud Chum - Community Currency

The richly colored Bia notes evoked excited curiosity at a workshop during the Asia Social Forum in 2003. The community currency notes were presented by young Thai activists during a session about initiatives for local empowerment. "The Bia is part of our move towards self-reliance," explained Pornpita Khangpukiaiw, "This is a response to the loss of intimacy and relations within community, because of the race for making money."

The glossy, artistic finish of the Bia Kud Chum notes could compete with the most sophisticated currency notes anywhere in the world. Unlike conventional currency, these notes do not carry green-tinted or sepia-tone portraits of national heroes or founding fathers. The Bia are alive with colorful paintings of farmers at work in paddy fields, scenes of community dances, or children at play and at school. Where conventional currency notes carry a "promise to pay" message from the governor of the central bank, the Bia notes carry this message: "This Bia is for exchange of goods within the community alone (...) so that money is not leaking out of the community."

The Bia Kud Chum has been operating in the Pomprab District of Thailand since 2000 and is equal in value to the Thai bhat but cannot be exchanged for the official currency. The notes come in denominations of 1, 5, 10 and 20. The word 'Bia' means seedling and alludes to the endeavor being like small seedlings which grow into large trees. The aim is to nurture and expand the local economy by encouraging the purchase of local products.

Each Bia is signed by a representative of the Bia Bank and a Buddhist monk who is highly revered by the community. Bia notes are issued by the Bia Bank in Santisuk and each registered member of the community is entitled to 'borrow' up to 500 bia, free of interest. Membership is restricted to people who live in the five neighboring villages. These members then exchange the Bia for a wide range of commodities in their local area. Unregistered villagers get drawn into the circle by accepting Bia as valid tender.

The Bia was born out of the Thai Community Currency Systems project, initiated in 1997 as a collaborative effort by various Thai NGOs. The

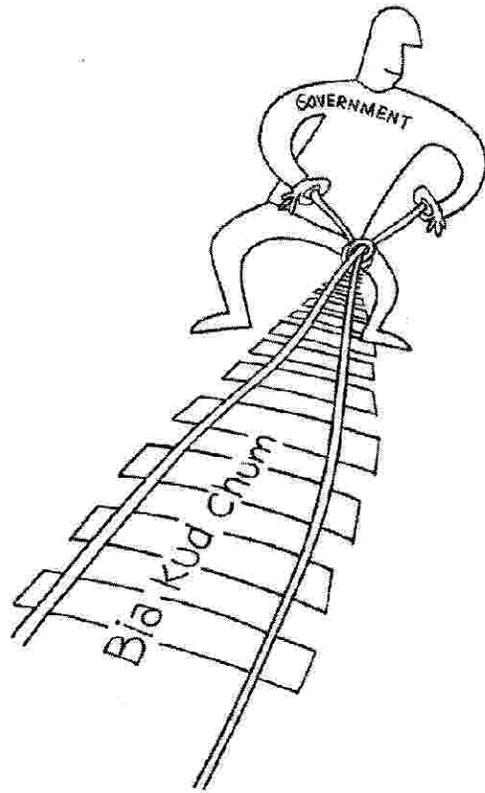
emergence of the Bia is part of a larger trend of community based initiatives aimed at securing local self-reliance. For example, there are associations of traditional herbal practitioners, "self-sufficiency groups", a community owned rice mill supporting chemical free rice production, cooperative shops, and women's groups producing soya milk, herbal shampoo and dishwashing liquid.

The elected managers of the Bia Working Committee perform three main functions. First, they keep accounts and maintain records of all Bia transactions. Second, they foster extension activities to support the efficient and balanced use of Bia between members. Third, they constantly monitor and evaluate the use of Bia.

Since the appearance of Bia in the marketplace attracted much attention from the mass media, officials from all levels of government came to investigate. There were representatives of the district and provincial government offices, police, military, internal security, the Prime Minister's Office and the Central Bank of Thailand. Some feared the use of Bia might violate the law or could be a danger to national security. Some even suggested it might be seen as a strategy to create an independent state. Under the direction of the Bank of Thailand, the use of the Bia was suspended at the end of April, after only one month in circulation. At that point in time, there were 120 Bia members, of which 33 had withdrawn a total of 7,000 Bia from the Community Self-Reliance Development Group (Bia Bank).

The Board of the Bank of Thailand has decreed that the use of Bia Kud Chum violates that country's Currency Act, which forbids anyone from making, distributing, using or issuing any material to replace currency unless permission has been granted by the Minister of Finance. The Bia Kud Chum Working Committee responded by changing the name of the system from 'Bia Bank' to the 'Community Self-Reliance Development Group'.

"In their efforts to become self-reliant, the villagers of the five communities have been accused of breaking the law, an accusation that is far from being justified. Even though the Government has announced its intention to encourage the development of self-reliant and strong community economies, the case of Bia Kud Chum shows they are actually preventing this from really happening (why is it that when big businesses issue their coupons there seem to be no legal problems, whilst when it comes to villagers, there is?). Perhaps it is time for government officials to join with Kud Chum villagers in exploring ways to legitimize



the Bia so that community self-reliant economics and strong communities can become a reality.”

There appears to be a link between the emergence of the Bia and the Sawat Upahat, a local brewery network which claims 100,000 members and has been promoting a form of alternative livelihood security through both ground level struggles and policy level intervention. Thailand has an old tradition of whiskey made from rice with combinations of herbs. Such brews are an essential component of many traditional ceremonies. In 1958, the Thai government centralized control over the breweries and banned production of the local brew. This put whiskey production entirely in the hands of commercial companies, which is far too expensive for many people. The Sawat Upahat movement encourages

people to defy the ban on local brewing and revive the tradition. [Statement by the Thai Community Currency Systems Project <<http://ccdev.lets.net>>]

From the conventional economist’s point of view, the Bia is useless since it buys nothing in the national economy of Thailand, not even a bus ride out of the village. But, says Pranomporn Tetthai of the Bia Kud Chum working group, “That is exactly the point! We are trying to reduce the number of things villagers buy from outside the community and encourage the support of locally produced goods and services. (...) Our agricultural income (from the sale of jasmine rice) will still be in baht. Therefore, we will still have baht for necessary expenses such as hospital care. However, for local goods and services we can reduce our expenses by exchanging in Bia.” [Quoted by Lietaer in *Future of Money*; p. 204]

The emergence of the Bia in Thailand signals the fledgling presence of community currencies across Asia, including Hong Kong, Indonesia, Japan, Korea and Papua New Guinea. Japan is undergoing a virtual explosion of diverse forms of complementary currencies, including LETS and Hours. Bernard Lietaer, author of *The Future of Money*, has noted with due fascination that in the sphere of health care, many Japanese people prefer Hours based services instead of those supported by the conventional Yen. It turns out that services under the Hours system bring a higher quality of caring than the professional market-transaction variety. [Keynote speech by Prof. Bernard Lietaer, at LETSLINK UK Complementary Currencies Conference, October 16, 1998]

At the other end of the world, in Mexico there is the Tlaloc mutual credit system, which is named after the Aztec rain god. This currency takes the form of cheques that have to be endorsed by the user who signs on the reverse side. The credits exchanged are reported to a coordinator who maintains the record on computer. [Future of Money; p. 202] The members of Talolc and Bia keep in touch and learn from each other’s successes and failures.

The website of a network called Appropriate Economics carries reports on both modern and traditional forms of local money spread across Asia, Africa and Latin America. There is also a web-based International Journal of Community Currency Research (IJCCR), which serves as the hub for scholarly and activist debate. The IJCCR’s e-group buzzes with questions and shared reflections by community currency innovators from across the world.

The International Journal of Community Currency Research aims to: “provide a forum for the dissemination of knowledge and understanding about the emerging array of community currencies being used throughout the world both at present and in the past.

“Community currencies are here defined widely to encompass the full range of possible currency systems. Our desire is to facilitate analysis not only of those systems currently in use, including the ‘money-based’ systems such as LETS, time-based systems such as time-dollars and Ithaca hours, other scrip-based community exchanges as well as business trade exchanges, but also to provide an arena in which the historical use of community currencies can be explored.”

Source: <http://www.le.ac.uk/ulmc/ijccr//www.appropriate-economics.org/materials.html>
[C.eldoc1/0703/NE1_International_Journal_of_Community_Currency.html]
See also: www.appropriate-economics.org/materials.html

Cooperatives

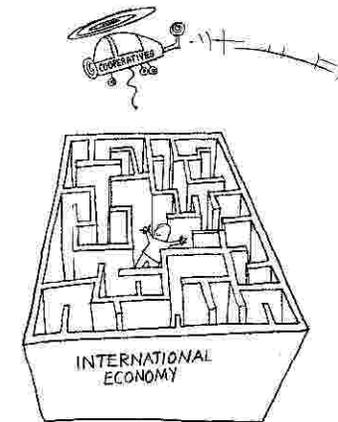
New Economics pays due homage to and draws inspiration from almost two centuries of experience in the cooperative movement. Throughout the 19th century, cooperatives emerged in many fields—agriculture, industry, services and more across Europe. In 1895, this momentum led to the formation of the International Cooperatives Alliance (ICA) in London. The fundamental premise of the cooperative movement is a faith in people’s natural capacity to improve themselves economically and socially through mutual self-help in democratically-controlled economic organizations.

The International Cooperatives Alliance is an independent, non-governmental association whose members are national and international co-operative organizations in all sectors of economic activity. It holds the highest level of consultative status with the United Nations Economic and Social Council (ECOSOC).

Over a century after it was formed the ICA is going strong with offices in Geneva and over 230 member organizations from over 100 countries representing more than 760 million individuals worldwide. In 1946, the ICA was one of the first non-governmental organizations to be accorded

United Nations Consultative Status. The ICA’s members together cover virtually every field including industry, agriculture, banking, energy, insurance, fisheries, housing, tourism and consumer services. The ICA defines a cooperative as an: “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” [For more details see: <http://www.coop.org/>]

These values are usually not visible in the fast track of the globalized economy. Yet, in 1995, at the time of its centenary celebrations, the ICA drafted a new declaration of purpose which reaffirmed that the international cooperative movement is uniquely placed to help in harmonizing the interests of people in their different capacities – as consumers of goods and services, as savers and investors, as producers and as workers: “As nation states lose their capacity to control the international economy, co-operatives have a unique opportunity to protect and expand the direct interests of ordinary people.” Cooperatives, like any other institution, have been subject to corruption and abuse. Yet it is important to note and celebrate the success stories.



Mondragon

The Mondragon cooperatives in Spain’s Basque region are perhaps the most famous example of democratic worker-owner industrial enterprises that have continued to grow and thrive for almost 50 years. These cooperatives were initiated soon after World War II by a young priest named Don Jose Maria Arizmendiareta. Due to acute poverty in this region, most of the youth were migrating in search of livelihood. Don Jose

Maria was convinced that it was possible to make a success of a humanistic cooperative business within the capitalist world. As two of his chroniclers have written:

“For Don José Maria, economics was not merely number-crunching but a way of living together in society, a way that put Gospel values into the marketplace and factory. His open support for a new and reformed social order drew fire from his fellow clergy, many of whom were content with passivity towards economic problems. At a meeting where they charged him with worldliness, he pointedly asked, ‘If the Gospel does not apply to the economy, then to what does it apply?’ Because he acted in the world he had, not an ideal or fantasized one, Don José Maria effected change.”

It all began with the creation of a technical school and later a small stove factory. In order to raise capital for the business, this team established a cooperative bank - the Caja Laboral Popular - which sought the savings of local people. The founders of the new bank appealed to the Basque people by saying that here was a way to build local industry and keep the youth at home.

The stove factory was the beginning of a string of worker-owned industrial units and services spread across the region. The profits from these cooperatives are partly enjoyed by individual worker-owners; some profit flows into a capital fund and some into social funds that provide community benefits. The trade school eventually grew into a polytechnic institute offering high-tech training. The Mondragon network now includes high-tech industrial firms, agricultural networks, schools, a university, retail stores, housing complexes, a cooperative bank, research and development institutes, and a co-op that provides welfare benefits. The Mondragon cooperatives aim to balance interests at many levels – for example, the individual with the community, the particular co-op with the whole co-op system, the human interests of workers with the necessities of the market, the industrial process with the environment.

By the late 1990s, the Caja Laboral Popular had become a large bank with hundreds of branches and assets of almost \$10 billion. The Mondragon cooperatives have combined sales of over \$10 billion and combined staff of more than 26,000 persons. In the late 1990s, these units reorganized themselves as the Mondragon Cooperative Corporation (MCC) that is now among the largest and most successful Spanish firms competing in the European Union.

The MCC describes itself as a business-based socio-economic initiative “created for and by people and inspired by the Basic Principles of our Co-operative Experience. It is firmly committed to the environment, competitive improvement and customer satisfaction in order to generate wealth in society through business development and the creation of, preferably co-operative, employment.” In 2002, the MCC led the process of setting up the European Association of Cooperative Groups (ECG) – which facilitates transmission of know-how between European co-operative groups.

Roy Morrison’s book on Mondragon, *We Build the Road as We Travel*, shows how worker co-ops have a key role in the global transition away from hierarchical and ecologically destructive economic structures. Naturally, the MCC is far from ideal and struggles with many of the ecological and social problems that afflict industrial society the world over. According to some observers, the MCC is now more a corporation than a cooperative. Nevertheless it is still widely lauded as a great success in balancing egalitarian theory with effective and sustainable practice. As Morrison writes in summing up the inspiration of Mondragon, it helps us to go beyond the spinning of utopian webs. It helps to “clarify and explain what is already in process, what is implicit in a complex reality....” [*We Build the Road as We Travel: Mondragon, A Cooperative Social System* by Roy Morrison; Glad Day Books, 1999.]

Mark Lutz on how the democratic structure of the Mondragon cooperatives functions:

“The members ultimately have control over the firm. They meet in an annual general assembly and elect their officers who then hire a team of managers. Each member has a membership certificate that entitles him or her to a vote in the general assembly and a share of the annual profits (or losses). There are no shares in this corporation, instead, each member worker has an individualized capital account into which every year retained earnings are credited by a formula based on pay that tries to reflect the relative productive contribution of each worker. Through this formula most of the profits are reinvested; however, they do not belong to the corporation but are equivalent to long-term loans by the workers themselves. The overall moneys in these accounts trace the net asset value of the MCC. When the worker retires, he or she is cashed out of what amounts to the reinvested fruit of their labors as long as the worker had been active. The departing worker is replaced by a new member, at least under normal conditions, who then opens a new account in his or her name.”

“The Mondragon cooperatives, no matter how successful or unsuccessful, are not for sale. Outsiders cannot buy ownership or control, which shields management's ability to be socially responsible and to function with the long-run interest of the community in mind, as for example, to pursue a policy of job growth.”

“The last chapter in the Mondragon success story still needs to be written. So, for example, it is not clear how well the cooperative will be able to compete with products made in low-wage, offshore plants and sold by its rival transnational corporations. It could also be argued that due to the internal accounts, workers incur a greater risk; they are putting all their eggs into one basket. But, consider that because the Mondragon cooperatives are associated in a number of regional groups, they are highly diversified. ‘Instead of a worker diversifying his or her capital in six companies,’ D. Ellerman explains, ‘six companies partially pool their profits in a group or federation and accomplish the same risk-reduction purpose without transferable equity capital.’” [Ellerman “The Corporation as a Democratic Social Institution” in *Social Economics: Retrospect and Prospect*, ed. M.A.Lutz; Boston: MA, Kluwer Academic Publishers, 1990. quoted in *Economics for the Common Good* by Mark A. Lutz; London: Routledge; p. 186]

For more information on Mondragon see >

- W.Whyte and K.Whyte, *Making of Mondragon*, Ithaca, NY, Cornell Univ. Press 2nd edition, 1991
- M.A.Lutz, “The Mondragon Cooperative Complex: An Application of Kantian Ethics to Social Economics” *International Journal of Social Economics*, 1997, vol. 24:12, pp. 1404-1421
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SEWA

While Mondragon is internationally the most famous network of cooperatives, two of the other widely celebrated success stories are from India – Amul and Sewa, both based in the state of Gujarat in Western

India. The story of Amul began with just two dairy cooperatives and 250 liters of milk per day. This led to the formation of the Gujarat Cooperative Milk Marketing Federation which now has the capacity to collect and process over six million liters of milk a day. This milk is marketed as cheese, butter, yogurt, ice cream and chocolates under the brand-name Amul.

The Amul network, covering 11,000 village cooperatives and about 2.28 million members, had a turnover of US\$ 575 million in 2002-2003. As in the case of Mondragon, the Amul units consist of producers who now function from a position of strength. However, Sewa has pioneered many ways of enabling the poorest and most disempowered to benefit from cooperative solidarity.

The raw energy evident in the workings of SEWA is drawn from India's rich tradition of social and political activism. Yet the actual birth of SEWA was inspired by Israeli cooperatives. In 1970 a young Gandhian trade union leader from India earned a three-month fellowship at the Afro-Asian Institute of Labor and Cooperatives in Telaviv. Back in her hometown of Ahmedabad, Ela Bhatt was convenor of the women's wing of the Textile Labor Union – which organized workers in the city's textile mills. For many years before that study-time in Telaviv, Bhatt had been restless about the limitations of the union work. It bothered her that such unions offered no protection or assistance to those who labored outside the factories and mills regulated by labor laws.

The Israeli experience fascinated and energized Bhatt. There she studied the cooperatives of bus drivers, construction workers, banks and health services. “I came back wanting to start a union of self-employed women” Bhatt recalled three decades later. Just two things were clear, she adds: “Unless the self-employed are in the mainstream of the labor movement there is no *movement* worth its name. And since women produce so much they must play a leading role. Beyond this there was no blue print.” [Interview in 2002]

Thus Sewa was born in 1972 as a cooperative of women street vendors and later expanded with a SEWA Cooperative bank in 1974. Today SEWA is a huge network of cooperative efforts in diverse spheres. The driving energy for this work, says Bhatt, has come from the firm conviction that, “If the poor are organized and build up their strength then social marketing can strengthen the local economy.”

Today the largest cooperative in the SEWA family is the SEWA Bank, which has 125,000 members. Apart from the bank, there are a further 84 cooperatives which serve the needs of dairy farmers, artisans, vendors, traders as well as other service providers and manual laborers. Grappling with markets has been central to SEWA's mission, since its members are the smallest entrepreneurs in the local bazaar. SEWA's growth has been a journey of discovering ways by which these entrepreneurs can hold their own in the market. At one level, SEWA facilitates the exchange of goods between its members. For example, handloom weavers supply fabrics to embroidery artisans, who in turn supply the crafted fabrics to women tailors. At another level, SEWA has helped its farmer members to sell grains directly to big buyers in the national markets, by-passing layers of middle-men.

Reema Nanavaty, a senior SEWA staffer, says their activities have been guided by the awareness that market fundamentalism tends to flourish when markets are controlled by a few. Thus, SEWA's answer has been to create greater access to credit, as well as more equitable meeting grounds where sellers and buyers can meet and negotiate terms. The focus has been on building institutions that can deal with the market process, says Nanavaty, who quit a government job in the prestigious Indian Administrative Service to come and work at SEWA.

SEWA's success stories have made it famous among international development agencies. For example, there is the case of the gum collectors of Gujarat. In India, the sale of forest produce is regulated by state governments. In Gujarat, the state gives licenses to merchants for the collection of gum in forests. Tribals and others who live in or near the forest areas do the actual collection and then sell the gum to the license holders. The licensee then turns over the gum to a state corporation which auctions it to traders. Under this system, most gum collectors were paid as little as Rs. 2 or Rs. 3 per kilogram of gum.

Some gum collectors formed a cooperative with the help of SEWA and themselves became a licensee. Suddenly their earnings tripled. But the traders, who were losing business as a result, formed a cartel to bid down the price of gum at the public auctions, thus wiping out the gum collectors' gains.

SEWA responded by pushing for transparency and accountability. It demanded that the state-owned corporation auctioning the gum should set prices based on open market research and that the gum-collection license holders should be allowed to sell directly in the open market. It

took five years of relentless struggle for SEWA to get the permission to sell in the open market, thus securing enormous benefits for its members.

Then there is the case of SEWA's venture at the Jamalpur Municipal market for whole-sale vegetables in Ahmedabad. Vegetables and other farm produce pour into Jamalpur from the surrounding villages and are purchased by retail vendors who supply the fresh vegetables across the city. SEWA members have carved out a niche for themselves here, running a wholesale vegetable business that offers better rates both to sellers and buyers.

SEWA's venture into this wholesale market was initially greeted with hostility from the existing traders. "Go home, they said to us, this selling is not women's work," recalls Labhuben Thakkar, one of the SEWA members who oversees the operation. The hostility was not merely gender related. The SEWA shop does business on a much lower commission of 4%, compared to the 6% to 10% charged by most other traders. Furthermore, the SEWA shop treats the vegetable farmers as equals, whereas the conventional traders, who are higher up in the caste hierarchy, tend to talk down to the farmers.

After an initial daily turnover of about Rs. 500, the shop now does over Rs. 20,000 worth of business every day. Only 50% of the stocks are taken up by retail vendors who are SEWA members and the rest goes into the open market.

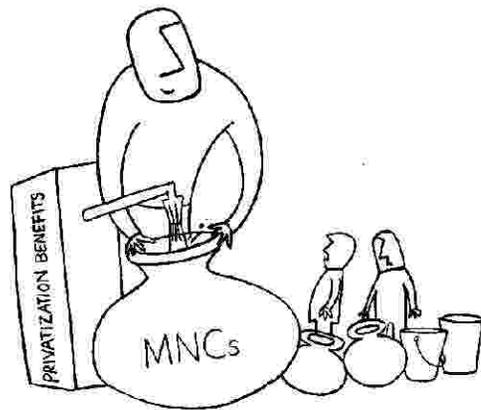
SEWA has also ventured into services like running shops that supply low-cost drugs to the general public, not just its members. This is an enormous benefit for low-income households who spend a big chunk of their monthly budget on medicines. This initiative was supported by an interest free loan of half a million rupees from the Gujarat Government. SEWA's medical stores are able to supply drugs cheaply by sourcing directly from manufacturers and eliminating many layers of middle-men. While the average retailer has a 15% profit margin, SEWA's shops work on a margin of about 5% to 6%. The revenue from these shops in turn helps to pay for SEWA health workers, also known as 'barefoot doctors'. SEWA has also worked with *dais*, or traditional midwives, helping them to upgrade their skills.

In 1992, SEWA registered the Gujarat Rajya Mahila Sewa Sahakari Sangh, which trains women in how to set up and run cooperatives. The Sangh also has an export license and thus enables its members, mostly in the

sphere of fabrics and crafts, to access markets globally. As fair trade awareness has grown in the Northern countries, products marketed through networks like SEWA have found a huge clientele -- since buyers know that a good part of what they pay is going to reach the end-producers.

The successful running of SEWA is the joint achievement of highly trained middle-class professionals and working class women working in a multi-tiered organizational structure. A good part of the challenge has been how to combine democratic processes with efficiency. For example, in its initial stage, one of the crafts cooperatives was faced with serious problems in how to maintain quality control. Sales were low and stocks piled up. "So we stopped the work for 3 months," recalls Nanavaty, "then the craftswomen all got together and themselves came up with a system for ensuring quality control. They also found ways of eliminating bias of judgment in the quality assessment process."

The efficiency is a by-product of a revolution in self-confidence. This happens when artisans and other producers no longer feel powerless and see themselves as owners and managers. The collective engagement not only sharpens their craft, it also creates contemporary business skills. SEWA has played a crucial role in facilitating skill enhancement. It has run full-fledged schools that have taught its members to read and write in Gujarati and English. Some have become computer literate and learnt to make their own video films. For these purposes, SEWA has regularly drawn on the services, often voluntary, of the staff and students of the prestigious Indian Institute of Management in Ahmedabad.



SEWA has found that globalization and liberalization are a mixed bundle. As Ela Bhatt says, "I am for privatization but not the kind of privatization which is only for MNCs and big companies. The street vendor and milk producer are also private sector." So far, globalization has very selectively expanded opportunities. Most small producers are left feeling more vulnerable and insecure in the globalized economy. Plus the wages and productivity of the unskilled are lagging far behind. The increased mobility of capital and skilled labor has further reduced the bargaining power of unskilled workers.

SEWA responded to the pressures of globalization with four key strategies:

- Organize women into membership-based trade unions, co-operatives and associations;
- Enhance both technical and managerial skills within these bodies;
- Encourage capital formation both for individual members and in collectives;
- Create social security mechanisms that ensure access to health care, child care, insurance, housing and old age benefits.

Looking back on the last three decades, Bhatt notes with satisfaction that SEWA's work has been widely recognized at the global level. "At least there is now visibility for the fact that the poor are bankable," says Bhatt, who has retired from the day-to-day functioning of SEWA but remains active as mentor and ambassador. However, Bhatt adds that there is a down side: "... political visibility is what we need to create a counter-veiling force and that hasn't happened yet. For this we need political action, in a wider sense. (...) Challenging Wall Street culture is not easy because the whole atmosphere is Wall Street oriented."

SEWA's experience illustrates how cooperatives can play a vital role in fostering bazaar spaces and enhancing the well-being of people who feel oppressed by global market forces. But such efforts remain on the margins of most economies. The interface between competition and cooperation is being changed by processes that are unfolding at the core of mainstream business.

The Rochdale Principles which are the foundation of the international cooperative movement:

1. Open, voluntary membership. Membership in a cooperative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
2. Cooperative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their society. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest.
4. The economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows: a) by provision for development of the business of the cooperative; b) by provision of common services; or c) by distribution among the members in proportion to their transactions with the society.
5. Cooperatives should deal openly, honestly, and honorably with their members and the general public.
6. The ultimate aim of all cooperatives should be to aid in the participatory definition and the advancement of the common good.
7. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public in the principles and techniques of cooperation, both economic and democratic.

(Source: www.ica.coop/coop/principles-revisions.html
[C.eldoc1/0703/NE1_Co-Operative_Principles_and_Values.html])

Measuring Well-being

The per capita Gross Domestic Product (GDP) of the United States of America has more than doubled in the last five decades. But the graph of depression, divorce and crime has risen correspondingly. In fact, these forms of social distress help boost the GNP because they cause money, products and services to change hands. For example, the sale of antidepressants puts over \$10 billion into the US economy annually.

The concept of GNP was never designed to reflect people's well-being, only the production and exchange of material goods in an economy. But after the Second World War, GNP growth came to be equated with progress and determined a country's status on the *development* hierarchy. The concept of GNP dates back to the 1930s and is attributed to the economist Simon Kuznets, who was hired by the US Commerce



Department to formulate a mechanism for assessing the annual performance of the economy. The system devised by Kuznets was entirely focused on measuring industrial and agricultural output that formally enters the market. Later, Kuznets himself cautioned that, "The welfare of a nation can scarcely be inferred from a measurement of national income as defined [by the GNP]. (...) Goals for 'more' growth should specify *of what* and *for what*." As the head of India's National Dairy Development Board, Amrita Patel, has suggested it would be more meaningful to measure a country's Gross *Natural* Product. [Amrita Patel in the 9th JRD Tata Oration on Business Ethics at XLRI, Jamshedpur, October 10th 1999.]

Through the 1970s and 1980s, the critique of the GNP as a measure of progress gradually moved from the fringes into the mainstream. This process was pushed along by several activists and intellectuals. Hazel Henderson did pioneering work in developing the Calvert-Henderson Quality of Life Index, which even incorporated cultural values and opportunities for self-improvement. Similarly, Herman Daly made a seminal contribution, both in academia and as an economist within the World Bank.

In 1989, then President of the World Bank, Barber B. Conable, joined the critics by stating that GNP figures usually show an income that cannot be sustained: "Current calculations ignore the degradation of the natural resource base and view the sales of nonrenewable resources entirely as income. A better way must be found to measure the prosperity and progress of mankind."

Since then, the World Bank has been engaged in the process of working out how to rank countries not by GDP, but by quality of life. In 1995, the World Bank issued a revolutionary 'Wealth Index', which defined the wealth of nations to consist 60% of 'human capital' (social organization, human skills and knowledge), 20% of environmental capital (nature's contribution) and only 20% of built capital (factories and capital). Meanwhile the United Nations had launched its Human Development Index (HDI) in 1990 – measuring factors such as education, life-expectancy, gender and human rights data.

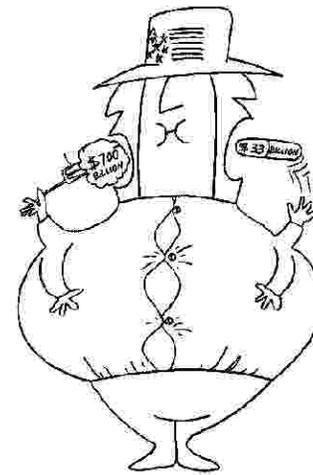
In 1992, at the Rio Earth Summit, 170 countries signed on to Agenda 21. This document included a provision to overhaul their national accounts to properly value environmental assets and costs of pollution and depletion, while including the unpaid work of millions of women in households and 'informal sectors,' traditional agriculture and community volunteer work.

These developments created the space for more radical challenges to the definition and measure of prosperity and progress. Redefining Progress, a San Francisco-based think tank founded in 1994, set about crafting a complementary measure called Genuine Progress Indicators (GPI). It was also at Redefining Progress that Mathis Wackernagel matured the concept of the Ecological Footprint.

One of the picture post-cards designed and sold by RP shows a denuded hill side with tree stumps and states:

"Unfortunately, overdraft protection for the earth is not available. (...) Let's track our use of natural resources so we can live within the Earth's budget. We're spending our natural capital as if there's no tomorrow. But we can only do this for so long. Redefining Progress's Ecological Footprint is a comprehensive resource accounting system that compares people's use of nature with nature's ability to regenerate. Like any responsible business that keeps track of its spending and income in order to protect its financial assets, we need ecological accounts to protect our natural assets."

According to the GPI analysis done by Redefining Progress, the quality of American life has been declining steadily since the 1970s. This is because the GPI looks beyond money and counts things like family time and fresh air as important indicators of a healthy society. The GPI analysis shows that as the USA's GNP rose, there was a corresponding increase in *loss* of leisure time for most Americans. Ever since the early 1970s, most Americans have been working harder and longer to stay in the same place. Similarly, it is good for the economy that car ownership has tripled since the 1950s. But the amount of time Americans spend commuting and sitting in traffic congestion has more than doubled.



Then there are the consequences of excess consumption. Food is a \$700+ billion industry in the USA. Almost fifty percent of all Americans consider themselves overweight, and about \$33 billion is spent every year trying to undo the effects of overeating. Childhood obesity has been officially declared an 'epidemic'. Excess weight-related diabetes has quadrupled among children in the last 15 years. Almost 70 percent of the nation's medical bill

stems from preventable, life-style related illnesses. "We are literally growing ourselves sick, and the resulting medical bills make the economy grow more," wrote Jonathan Rowe while he was a researcher

at Redefining Progress, “We’ve been coasting along on glib assumptions in this country for the better part of the century and especially since the Second World War. That people are sensing the *need* to step back and ask the question, ‘What is better’, is itself an indicator and a positive one.”

Redefining Progress is not marshalling all this data simply to warm the hearts of simple-living advocates or bitter critics of the wasteful American way of life. Neither is this a group of people who wish to dismantle the modern industrial edifice. It is, however, part of a rising crescendo of voices that tell the story of how economic ‘growth’ does not automatically lead to human well-being and much of this growth is actually depleting both social and natural capital.

Genuine Progress Indicators

When Redefining Progress set out to evolve Genuine Progress Indicators (GPI), they began by challenging Paul Samuelson’s pronouncement in his famous text book that “economics focuses on concepts that can actually be measured”. It is a truism that the value of our family and community life, our oceans and open spaces cannot be measured in the way that cars, diamonds or sacks of wheat can be. The objective of the GPI is not to assign money value to these immeasurables. Instead it seeks to assemble a more well-rounded, and thus realistic, balance sheet of the interface between market and society. For example, the GNP counts as “progress” the money people spend deterring crime or repairing damage and losses caused by crime. The GPI, on the other hand, lists these on the minus side.

Using data from the US government and respected research institutions, the GPI makes an assessment of the factors that the economic establishment ignores. For example, the GPI takes into account the distribution of income. In the 1980s, the top one percent of American households enjoyed more than 60 percent growth in their income, while the income of the bottom 40 percent of households declined. The GPI is adjusted for the extent to which the whole population actually shared in any increase. Damage to human health, agriculture and buildings from air and water pollution is also listed as a loss. For Redefining Progress this is not merely an academic exercise. The think-tank converted the GPI into a set of tools and resources that neighborhoods, towns or cities can use to check their own GPI status. Essentially these projects attempted to assess the quality of life in a community by integrating environmental, social and economic well-being.

How and why, then, did the GPI rise at the end of the 1990s? According to Redefining Progress, this was due to the stabilizing of certain quality of social life measures. Under-employment fell from its high in 1989, even though it was still eight times as high as in 1950. As more people had access to better jobs, this translated into reduced rates of illness, suicide, and crime. This again reinforces the importance of the *quality* of economic growth.

For an endeavor that started out as more of a thought experiment than a scientific measure, the GPI has come a long way in 10 years. Its proponents are not worried that it has holes, for it is a work in progress. Besides, as Rowe points out, the holes in the GPI concept and mechanism are less fundamentally “wrong headed” than those in the GNP.

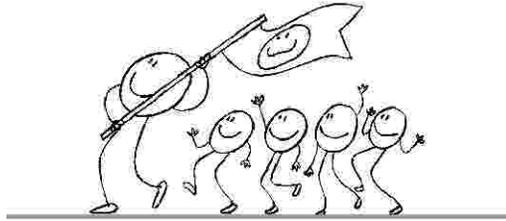
The GPI went on to be further developed and refined by GPI Atlantic, a non-profit organization in Nova Scotia, Canada. Founded in 1997, GPI Atlantic is one of the leaders in research into quality of life indicators. The GPI Atlantic integrates 22 different components, including work hours and income distribution, population health and greenhouse gas emissions. “What we measure is a sign of what we value in our society,” says Ron Coleman, director of Atlantic GPI, “If you measure the right things, you change the whole policy agenda.”

The outcome of these altered measurements can be eye-popping even for conventional bottom-line number crunchers. For example, the Atlantic GPI shows that solid waste recycling saves Nova Scotia taxpayers \$31 million per year in energy use and landfill replacement. Old accounting methods focused on basic operating costs, neglecting even obvious outlays like the \$10 million paid to Sackville residents for landfill-related quality-of-life losses. Atlantic’s work has inspired a wide array of regional studies on quality of life within Canada.

[<http://www.gpiatlantic.org/clippings/mc_waste14.shtml>]

Gross National Happiness

For almost three decades after their monarch set the goal, Bhutan was reluctant to make any claims about GNH or even broadcast the aspiration in international forums. At the time, Bhutan only registered on the world stage as an idyllic vacation spot. Then in the late 1990s, King Jigme Singye Wangchuk began a transition towards democracy and opened up the country to satellite television and the internet. As more development agencies and researchers came into contact with Bhutan, word began to spread about its pursuit of gross national happiness.



Sander Tideman, one of the founders of Spirit in Business, played a key role in urging Bhutanese officials and scholars to speak about the concept of GNH in international forums. This in turn led to the first ever international conference on Operationalizing GNH, hosted by the Bhutan Government in the capital city of Thimphu, in February 2004.

As the Prime Minister of Bhutan, Lyonpo Jigmi Y. Thinley, put it, the growing interest in the GNH endeavor had more to do with the state of the world than with Bhutan itself:

“The threshold of a new millennium had evoked a mood for reflection, introspection and uneasy contemplation about the future. There were questions about what, amid the wonders we lived, humanity had truly achieved. All that we have sacrificed, at the altar of material advancement to appease insatiable wants, had not been in the best interest of furthering human civilization. Indeed, there were those who whispered that we had become less refined, having become less capable of peaceful coexistence in a world that compels us to live together within diminishing space and time. Since then there has been growing interest in GNH.

Yet there is little that potential converts can find in Bhutan beyond our simple belief in the primacy of happiness. They may even be amused by the unshakable faith of the government that, given an enabling environment, each citizen will find the wisdom to engage in the quiet but infectious pursuit of happiness rather than being trapped in the jungles of supposed means.”

That first international gathering on GNH became a showcase for the wide range and depth of work on defining and measuring true progress. It attracted not only researchers in quality of life indicators, but people working in the field of Socially Responsible Investing. Frank Dixon of Innovest Strategic Value Advisors was there because he saw the concept of GNH as potentially the most significant advancement in economic theory over the last 150 years.

For Dixon, GNH was an endeavor that could enhance the sophistication of human systems by emulating the infinitely greater sophistication of nature. At present, individual companies and entire countries are compelled to keep growing indefinitely. The only parallel for this in the natural world are cancer cells, which by growing exponentially destroy the host body and themselves.

Today it is widely acknowledged that the human economy cannot keep growing at the cost of its habitat. Yet even after two decades of expanding environmental regulation, we are still losing the race to save the planet. This is partly because production systems and consumption patterns are out of synch with the carrying capacity of the planet. The pressure for ever higher GNP is merely one manifestation of this.

Bhutan’s move towards GNH has been more of a guiding principle than an actual measure. In purely material terms, the ideal of GNH has produced mixed results. The country has not yet fully succeeded in its effort to improve people’s access to better food, housing and health care. Poverty still persists and the average household income in Bhutan is still among the lowest in the world. But between 1984 and 1998, life expectancy increased by 19 years to age 66. Bhutan also boasts the remarkable achievement of having expanded its network of roads and simultaneously increased its forest cover. About 26 percent of land area is managed to protect its astonishing bio-diversity, and 72 percent of the country is under forest cover, much of it pristine.

Of course, Bhutan is not in fact an idyllic Shangri-La. It has grim political problems, including ill-treatment of its Nepali-speaking minority. So its endeavor to foster a GNH model of development is as complicated and fraught with challenge as most other countries would find the task. Thus, the New York Times writer who compared the GNH ideal with the pursuit of happiness as enshrined in the American Declaration of Independence was right on the mark. In this document, ‘happiness’ is inherently a combination of individual and community interests, not a point of ‘arrival’. [“A New Measure of Well-Being From a Happy Little Kingdom Top of Form” by Andrew C. Revkin; New York Times; October 4, 2005]

The growing international interest in GNH has also drawn attention to numerous studies showing that increases in income (beyond a certain basic level) do not translate into greater happiness. Of course, the task of designing measurement techniques that can capture the broader concept of well-being, is fraught with difficulties. Yet the purpose of the GNH / GPI concepts is not to measure personal, emotional happiness. Rather, the

core purpose is to ensure that parameters relating to actual well-being are measured and given primacy. This means focusing not merely on the amount of food bought and sold in any economy, but the actual per capita nutritional intake and likewise for housing, health-care, education etc. This stream of thought and action is growing largely because there are now sophisticated ways of collecting and analyzing data to show the links between the material economy and actual well-being. Countries as diverse as Costa Rica, Canada, Iceland, the Netherlands, Sri Lanka and Mongolia have established well-being indicators to balance out the GNP measure.

Britain has developed an index of well-being which takes into account mental illness, civility, access to parks and crime rates. Canada is working on a National Index of Well-being. It is important to note that these indices are not intended to do away with the GNP measure. Their purpose is to provide a closer understanding of what fosters well-being and thus aid policy makers in making better legislation and regulations.

Friends of the Earth and the New Economics Foundation have worked with the Centre for Environmental Strategy at the University of Surrey to evolve the Index of Sustainable Economic Welfare (ISEW). The ISEW corrects GNP for a range of issues, such as income inequality, environmental damage and depletion of environmental assets, to create an indicator which better measures how the UK economy delivers welfare for people. The ISEW has been criticized for being too subjective and susceptible to changes in underpinning assumptions. But its designers are confident that problems in constructing such indicators can and should be overcome.

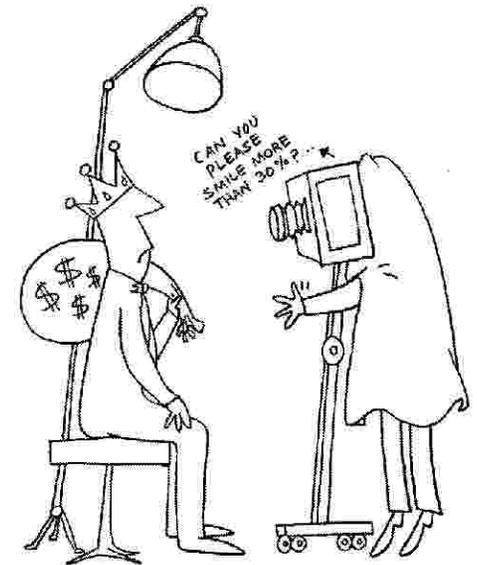
The second international conference on GNH has put both the wider endeavor and the particular effort of the Bhutanese people at the centre of world attention. The question now is how well the GNH ideal matches the steadily rising material aspirations of Bhutan's younger people. As the Bhutanese economy expands and global interface increases, the younger generation may well come to equate happiness with brand-name shoes and clothes. But the elders in Bhutan are hoping to nurture the indigenous cultural climate through the education system and the national media.

Meanwhile, on the other side of the world, there are campaigns to redefine consumption in more holistic terms. For example, the Center for a New American Dream works to help Americans consume responsibly

to protect the environment, enhance quality of life, and promote social justice:

"The traditional American dream once focused on greater security, opportunity and happiness. Increasingly, that dream has been supplanted by an extraordinary emphasis on acquisition. The recent commercial definition of the American dream has hidden costs for the environment and our quality of life.(...) As for the 'new' in New American Dream, we help people live the dream, but in a way that ensures a livable planet for current and future generations. Our message isn't about deprivation. It's about getting more of what really matters: more time, more nature, more fairness, and more fun."

Such initiatives are a creative response to the reality that, if each of the planet's six billion inhabitants consumed resources at the level of the average American, we would need four additional earths. Americans consume 40 percent of the world's gasoline and more paper, steel, aluminum, energy and meat per capita than any other society on the planet. The average American also produces twice as much garbage as even the average European. Finally, while there was a 62 percent rise in per capita income in the US between 1970 and the mid-1990s, the percentage of Americans who list themselves as 'very happy' remained at about 30 percent. [All Consuming Passion: Waking up from the American Dream by New Road Map Foundation and Northwest Environment Watch]



Concepts like GPI and GNH are vital to rectify distortions in the ways economic activity is measured and provide a more well-rounded report card of the economy and its interface with society. However, a radical application of these concepts would mean more fundamental change and a move away from the imperative of indefinite 'growth' in GNP.

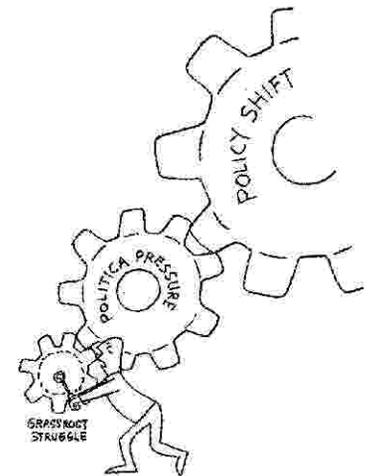
New Economics in the Indian Context

What is the direct relevance of New Economics for India?

As outlined in the brief history of New Economics, two Indians - Gandhiji and Kumarappa are key figures in the evolution of New Economics thinking. Yet today, mainstream discourse within India by and large treats Gandhian thought as irrelevant, while Kumarappa has been altogether forgotten. This is partly because in their pure and un-mediated form, Gandhian ideas and prescriptions appear incomprehensible or unpalatable to those who accept the current model of globalization as a *given*.

However, as New Economics thinkers and groups multiply across the world, a new 'language' and terms of reference have evolved and these can facilitate an easier interface and dialogue with mainstream economic policy. The ideas and conceptual innovations of New Economics can be a powerful instrument for people's movements fighting for economic democracy at the ground level. They open up a wide range of options for activist initiatives to shift the focus from an "anti-globalization" and "anti-market" stance to articulating demands in ways that can draw much wider social and political support.

As the World Social Forum process has shown, the international activist community has great expectations from the rich array of both NGOs and political action groups in India. Yet within India itself, there is unrest among activist communities about why their efforts have not yet come together as a coherent political pressure group that succeeds in pushing for significant policy shifts. This booklet



does not even begin to address the complexity of the challenges faced by Indian protagonists of the New Economics stream. All we attempt here is a brief glimpse of some of their experiences and reflections through interviews with three veteran Indian activists.

The first interview is with Ela-behn Bhatt, the legendary founder of SEWA, who pioneered the struggle to win recognition and respect for work in the informal economy, a key component of the New Economics agenda. Bhatt was present at the first two TOES gatherings in the UK in the mid-1980s. Over the last two decades, she has played a key role in influencing the Indian government and a host of international agencies to more fully value the wealth and services generated by millions of women who once did not appear on conventional 'maps' of the economy.

The second interview is with Vijay Mahajan who came out of IIM Ahmedabad to spend over two decades in the NGO sector and then pioneered India's first for-profit micro-finance company. Mahajan is both a leader of the micro-finance sector and one of its most incisive critics. With this interview, he places the New Economics stream in a historical perspective and highlights the need to challenge prevalent definitions of 'market forces' and also find creative ways of making the market economy work for all segments of society.

The third interview is with Stan Thekaekara of ACCORD and Just Change in Tamilnadu. Over the last two decades Thekaekara has worked closely with the fair trade movement and been in close touch with New Economics initiatives in the West.

Interview with Ela-behn Bhatt

August 2006

Ela-behn Bhatt trained as a lawyer and went on to become the chief of the women's section of the Textile Labour Association in Ahmedabad, in 1968. Appalled by the poor conditions of self-employed women in and around Ahmedabad, Bhatt founded SEWA, the Self Employed Women's Association, in 1972. SEWA brought together a wide variety of self-employed women including weavers, stitchers, cigarette rollers, vendors of fruit, fish and vegetables, firewood and wastepaper pickers and road construction workers.

Today SEWA has over 800,000 members who benefit from a network of institutions which provide healthcare, microfinance, vocational training, marketing and other facilities.

Bhatt has served as a nominated member of the Rajya Sabha from 1986 to 1989. At that time she also headed the National Commission of self-employed women. From 1989 to 1991, she was a member of the Planning Commission. She is a founder member of Women's World Banking, a global network of organizations which enable low income women to build their businesses, increase assets and improve their living conditions.

Q: You were one of the few Indian activists to attend the first two TOES conferences back in the 1980s. What are your most vivid memories of the first TOES?

A: (Smiling) LETS! My most lasting impression is that of several LETS pioneers from Britain, New Zealand and other places sitting under a tree and talking about the concept of Local Exchange Trading Systems. What struck me is that its so *human*, and *everyone* is seen to have a productive role in society because the concept of LETS values a much wider variety of work. It allows everyone to be equal from the lawyer to the brick layer. Exactly this is Gandhiji's message. Even an old woman has a productive role.

I have not followed the development of LETS in detail over the last 20 years, but it's wonderful to know that the system has advanced to a point where governments are now demanding taxes on incomes generated through LETS. And I'm told that the LETS communities are saying, "Sure, we'll pay taxes in LETS units."

Q: Did the TOES gatherings in any way signify a maturing of the ideas of Gandhiji?

A: Yes, at the first TOES it seemed like a maturation of the ideas of Gandhiji and Schumacher. But by the second year I felt, I may be wrong, it got politicized with a whiff of sectarian political competition. I don't know how that took shape in the following years because I attended only the first two TOES.

Q: Is the definition and highlighting of the self-employed worker SEWA's great contribution to formulations within the New Economics stream? How did you strike upon this particular way of describing the people you helped to organize back in the 1970s?

A: Yes, because SEWA's work gave such workers a name and a status.

When the textile mills closed down in Ahmedabad in the 1970s, I noticed how it was mostly women who kept the families going. Yet I found that

these women were left out of protections from the law and had little or no rights as workers. The greatest injustice was that they were not recognized as being part of the active work force even in the Indian Census. So this raised the question: what is employment?

In the traditional economy most people earned their livelihood by working the land and small animal husbandry, dairying and through a home-based craft. Now we find most women depending on income from piece-rate work. So I realized that that being self-employed is the key historically, culturally and traditionally, this has been our way of earning a livelihood and income.

Yet such workers are denounced as being unorganized, marginal, peripheral.... In the US this sector is even denounced as a 'black economy' because they're accused of evading taxes.

I wanted to give a positive name in a language that the modern world can understand thus the emphasis on employment and *self*, namely people who are on their own. SEWA's focus was on the reality of the existing status of workers and also going beyond the limited focus on industrial workers. I also wanted to make them part of the labor movement. After all, everyone who is contributing to the national income is a worker but this is still not fully recognized.

For example, SEWA now has over eight lakh members spread across 6 states. So we have applied for recognition as a national union. But the Steering Committee which makes this decision is resisting our recognition as a national union. Even our membership to the International Conference of Free Trade Unions came through in spite of opposition by other national trade unions in India.

Q: Over the last two decades, to what extent have the self-employed gotten better recognition from governments in India and from international agencies?

A: Things have definitely changed, slowly but surely. Earlier, those who worked 10 hours a day for a wage were invisible they were not even counted as workers in the census. So they were both undocumented and unprotected. This has changed. They are now included in the Indian census and academics have documented this sector in detail.

But they still don't have much political visibility because they lack the organized strength. They have a voice, but it's limited. And they have yet to attain representation in their own right in national policy making. So there is still a long way to go. At the international level, Women in

Informal Employment: Globalizing and Organizing (WIEGO) has played a big role in this process. [See <<http://www.wiego.org>>]

Q: Is it fair to call this a 'new economics'?

A: I think its more just a recognition of what really is, what is *real*. As Gandhiji said, this is nothing 'new' but as old as the hills. What it means is that the gap between economic 'theory' and what actually happens is being narrowed.

The biggest obstacles have been the conceptual blocks in the minds of policy makers. For example, when we set up SEWA, we were constantly asked, "If these are 'workers', where are the employers?" "Rolling beedis at home is not work," we were told. "Against whom will you agitate?" But a union is not just for agitating or being *against*. A union is also *for* - for solidarity.

Similarly, the SEWA bank was first blocked because our clients were illiterate and had no regular income, no workplace (because they worked from home). Our question was, are they not contributing to the GDP? Even today, 63% of the GDP is from the informal sector (which includes agricultural exports) and 55% of the savings come from this sector. As much as 47% of the foreign exchange is earned by the informal sector.

Q: How would you define economic democracy?

A: Economic democracy means economic freedom the freedom to earn one's livelihood, to have the opportunity to grow, to develop and join the mainstream. It won't be a true *azadi* unless everyone can experience it. This means that all work must be given due recognition. There must be opportunities for everyone to develop his/her skill. This requires investments in the multiplication of opportunities that enable the inclusion of more and more people. The IIMs and IITs have all fed big industry with skilled workers. There have been no matching institutions for the informal sector for the product design and marketing and accountancy and management and other needs of this sector. We still don't have enough institutions to serve the needs of the poor. IRMA was meant to do this for the rural poor but even that has mostly provided skilled members to the formal sector. Thus we have failed to build on the human resource base we have in our society. So economic democracy will mean providing the financial services, health services and better tools which will enable people to find their own way to produce or find work.

Q: How do you view the exponential growth in the field of micro finance?

A: Savings are a very important way of building assets and building assets is important to fighting poverty. It is important that people are able to turn savings into capital. The poor self-employed have proved that they are bankable, particularly women. They are more futuristic; they have a larger sense of responsibility to their family than their men. My dream is that women's federations could come up across India to set up a network of decentralized banking. This is the promise of the self-help groups.

Micro-Finance Institutions are mainly the outcome of NGOs. Then banks like ICICI began to see this as a good market segment to lend to. They lent large amounts of money to MFIs who have a big reach and went into aggressive expansion. This meant short-cuts and lowering of quality. The MFIs have high delivery cost because it involves lot of field work and face-to-face dealings. The Micro Finance sector also has high over-heads since it is run by professionals with a different work ethos.

At present many of these issues are being taken up in Sa-dhan, a network of micro-finance institutions. The members of Sa-dhan have recently come out with a code of conduct for self regulation.

“Sa-Dhan's mission is to build the field of community development finance in India, to help its member and associate institutions to better serve low income households, particularly women, in both rural and urban India, in their quest for establishing stable livelihoods and improving their quality of life.

Founded as the association of Community Development Finance Institutions by SEWA Bank, BASIX, Dhan Foundation, FWWB, MYRADA, RGVN, SHARE and PRADAN in 1999, Sa-Dhan's membership has grown to 139 with the collective loan outstanding and outreach reaching in excess of Rs. 1095 Crore and 6.7 million respectively.”

Source: <http://www.sa-dhan.org/>

I believe in sustainability, but not subsidy. Sustainability means that you have to have a margin. But delivery costs also cannot be allowed to go very high – though it is true that the cost of fund-raising, the cost of risk-management and cost of delivery are much higher when lending to the poor.

However, most of the structures are still organized in favor of the formal sector. Take the example of the insurance sector even after liberalisation. At present, regulations require a minimum authorized capital of Rs.100 crore to start an insurance company or cooperative. SEWA can raise Rs. 50 crore, but we need a partner to share the risk. The government could put in a Rs. 50 crores revolving fund, but it won't. And we don't want foreign money.

Working with and for the poor has become more difficult. Working beyond party politics has become very difficult, now the spaces for public life and public culture have changed and shrunk.

“From a miserable passive acceptance of all the injustices, SEWA women, by organising themselves, have attained the courage to stand up and fight, the ability to think, act, react, manage and lead. Self-reliance is what they ultimately want. There is no development without self-reliance. But there is no route to self-reliance except by organisation.” – Ela Bhatt

What is the value you most treasure?

“Simplicity. It covers everything including the environment. Simple needs and approach eliminate the need to lie and the craving for more. I relish simplicity as an all-comprehensive value.” Ela Bhatt

For details on SEWA:

<<http://www.sewa.org/aboutus/index.asp>>

[C.eldoc1/0703/NE1_SEWA.html]

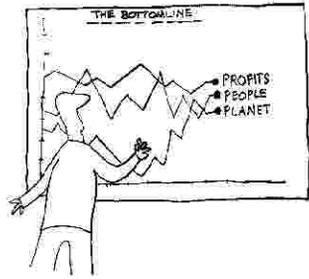
For details on Women's World Banking:

<<http://www.swwb.org/>>

Interview with Vijay Mahajan

August 2006

Vijay Mahajan co-founded PRADAN, a rural development NGO, in 1983. A graduate of IIT, Delhi and IIM, Ahmedabad, Mahajan has devoted his working life to promoting livelihoods in rural areas.



In 1996, after leaving PRADAN, Mahajan went on to found BASIX, the first for profit microfinance institution (MFI) in India, and among the first in the world to attract commercial equity investments.

In 1998, he co-founded Sa-Dhan, the association of Indian MFIs. In 2001, he helped found the Andhra Pradesh Mahila Abhivruddhi Society (APMAS), a capacity building institution for over half

a million women's self help groups in the state.

Q: How do you view the emerging stream of New Economics thinking?

A: It is not really 'new'. There have been such responses to the industrial revolution virtually from the beginning. This energy has been differently manifested at different times. For example, in the 19th century there is the emergence of the Cooperative movement with the evolution of the Rochdale Principles. This was a pan-European phenomenon.

Then there is the work done by David Henry Thoreau on civil disobedience, which Gandhiji later developed further. More recently the tradition of the cooperative movement has gone beyond issues of equity and come to include ecological concerns.

The concerns for equity and ecology strike back whenever the 'efficiency school' becomes excessively strong. There is a grand battle, historically, between these streams. However, equity and ecology can sometimes be at odds. And also the efficiency school is not all bad.

Q: Isn't the essence of New Economics thinking about redefining efficiency in more holistic terms?

A: Yes, and there are advances being made in this respect. For the longest time, there was only one bottom line and it was money. Then there was talk of a *double* bottom line, which meant monetary and social

accountability. But now most leading corporations are trying to perform on a triple bottom line namely profits, people and planet.

At the World Economic Forum in Davos, I watched the leaders of corporations at close quarters. I find that there is a genuine questioning among some of them about where we, the world, are going. Sure this is not true of everyone there, but a significant minority within corporate circles is thinking along these lines. It troubles them to see that many young people today despise corporations.

Q: You have said that the power of the free market ethos is somewhat in decline. Why do you feel that?

A: I was recently attending a conference at the Brookings Institute in Washington D.C., and I could sense that the unshaken belief in the power of the market is a thing of the past. There is now a lot more questioning about the untrammelled power of the market to solve most problems.

Q: Why do you think this has happened?

A: There are several reasons. Firstly, there has been a clear market failure to address issues of growth and social justice – even within the USA. For instance, about 45 to 50 million Americans are going without health insurance and thus without health care. About 15 to 20 percent of US citizens do not have access to a bank account.

Secondly, the market mechanism has to act through institutions, which includes corporations and regulators. In the last few years, both have shown their under-belly. Attention has also been drawn to the swinging door between the US Treasury, corporate entities like Goldman Sachs and the World Bank/ IMF with senior managers holding power turn by turn in all three spheres.

Q: What are the implications of this in the quest for greater equity and economic justice?

A: At the same time the State has given in and accepted that it does not have the ability to spend resources efficiently. It is willing to give up the implementation role in many areas. There is also blooming of the 'third sector', call it NGOs or civil society, which is initiatives that are neither by the state nor by corporations. This third sector is being inspired not only by the visionary work of Schumacher and its manifestation in the New Economics Foundation but a host of non-economic thinkers, like the Dalai Lama and Eckart Toole, who are balancing spirit with material growth.

Q: How do you view the NEF's work on calculating the local-multiplier effect in the economy?

A: Much of it is very simplistic and not conceptually sound. Besides for us in India, the bigger issue is not how the exchange takes place, but what about those who have nothing to exchange.

Q: What are the challenges of fostering economic democracy in India?

A: There is an urgent need for platforms on which to discuss this question in reasoned and dispassionate ways without knee-jerk ideological responses. Several of the social and economic choices that have to be made have second, third and fourth order issues which need to be openly considered from a more sophisticated 21st century view.

Q: In this context what do you make of all the excitement about the rise of the Indian economy on the global scene?

A: Most of that excitement is about the 'visible' economy. But what really makes it possible is the sweat equity of the millions who make up the true Indian economy. Also let us not overlook that last year the top 2000 companies had combined profits of Rs. one lakh crores, but their contribution to new job creation was minus 18,000. And this would have been minus 87,000 if it was not for the jobs generated by the IT sector. As long as we keep getting 'Sensexed', we will not recognize that the true Indian economy is that 93% which is in the unorganized sector. And this sector has not come to be better recognized and acknowledged over the last ten years.

BASIX tailors its lending techniques and distribution channels to different customer groups and arranges technical assistance and support services for its clients. BASIX collaborates with other organizations to provide market linkages for commodities produced by its borrowers. It also aggressively uses information technology applications to process large numbers of transactions and support innovative delivery channels, such as franchise agents using hand-held devices to serve poor borrowers.

But BASIX does not confine its loans to the landless poor and self-employed, as do most other MFIs. Rather, it argues that most of the poorer population groups prefer to be employed. Thus, providing credit to the micro-enterprises that can employ them is as important as providing credit to the poorest themselves.

Studies show that, on average, the income of BASIX borrowers increases 20-30% in two to three years and that they also generate substantial wage employment for others. Based in Hyderabad, in the state of Andhra Pradesh, BASIX has close to 250 full-time employees, mostly in the rural districts, and over 400 village-based customer service agents. As of March 31, 2003, the BASIX group was operating in 7500 villages spread over 40 districts in 9 states of India. It works with nearly 95,000 borrowers, including women in self-help groups (SHGs) and federations. BASIX has cumulatively disbursed over 137,000 loans worth over US\$33 million, 41 percent of which are loans to SHGs. The current loans outstanding amount to US\$10.9 million. BASIX's pioneering work with SHGs and its advocacy for micro-credit has been one of the factors that led Indian banks to extend over US\$44 million worth of micro-credit to more than twelve million rural poor women since 1998.

Source: <<http://www.indianngos.com/people/vijaymahajan.htm>>

Limitations of Microcredit: Five Fatal Assumptions

(Excerpts from Vijay Mahajan's speech, "From Microcredit to Livelihood Finance", August 2005)

1. Assumption that credit is the main financial service needed by the poor. Actually it is not. The poor need and want to save much more than they want to borrow. They also want to cover themselves against risks through insurance. However, the field in general does not adequately emphasize other financial services, such as savings and insurance. Savings are particularly important, as these act as self-insurance in case of smaller contingencies; meet sudden demands of cash such as due to illness in the family; act as margin money or "equity" for borrowing; and finally, to some extent act as a collateral for repayment of loans, where savings are deposited with lenders. The experience of SEWA Bank in India for example, shows that women value a safe place to keep their savings as an important service.



Insurance is another important financial service for the poor, given their vulnerability to livelihood risks. Here one is not talking so much of life insurance but of crop insurance and insurance for income earning assets such as livestock and irrigation pumpsets. For certain occupational groups such as sea-going fishermen and miners, life insurance is important. Money transfers are an increasingly important service, as a large proportion of poor households have one or more members of the family migrating for part of the year or several years at a time, in search of work. Thus to focus on micro-credit alone and leave out micro-savings, micro-insurance and money transfers is myopic.

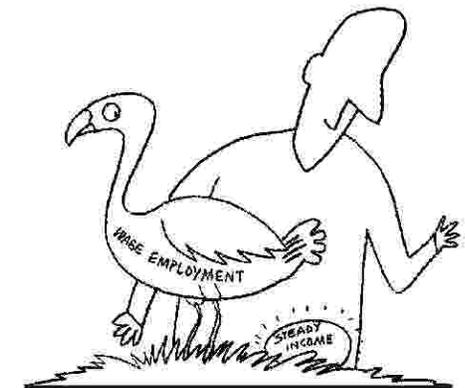
2. Assumption that credit can automatically translate into successful micro-enterprises: This is the familiar debate of “minimalist credit” strategies versus the “integrated” approach to microenterprise promotion. Others, (such as Mahajan and Dichter, *Small Enterprise Development*, Vol. 1, No.1) argue that there is no one correct approach and that the strategy for microenterprise promotion should be contingent on the requirements of the situation, based on a systematic analysis.

Microcredit is a necessary but not a sufficient condition for microenterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and some times regulatory approvals. In the absence of these, microcredit by itself, works only for a limited the familiar set of activities small farming, livestock rearing and petty trading, and even those where market linkages are in place. The Microcredit Summit Declaration did make a token recognition of this assumption when, in a shift from the draft to the final, they added "other financial and business services" to credit.

3. Assumption that the poorest all wish to be self-employed and can be helped by micro-credit: Most of the proponents of micro-credit as the strategy for poverty eradication make the explicit assumption that the poor would all like to be self-employed. It is true that a certain proportion of poor people do like to take up small farming, livestock rearing, processing, manufacturing or trading activities, but usually they do so to supplement their income from wage-employment. A majority of poor people, particularly the poorest (such as landless labourers in India) want steady wage-employment, on- or off-farm.

Moreover, there is serious evidence that like all other “single” interventions, microcredit works less well for the poorer clients. As David Hulme and Paul Mosley have shown in their important work “Finance Against Poverty” (Routledge, London, 1996), the increase in income of micro-credit borrowers is directly proportional to their starting level of income - the poorer they were to start with, the less the impact of the loan. One could live with this finding in an imperfect world, but what is really troubling is that a vast majority of those whose starting income was below the poverty line actually ended up with less incremental income after getting a micro-loan, as compared to a control group which did not get the loan. This should stop recent converts from offering microcredit as the solution for poverty eradication, since it can do more harm than good to the poorest.

4. Assumption that those slightly above the poverty line do not need microcredit, and giving it to them amounts to mis-targeting: Though several microcredit programs, including the Grameen Bank, Bangladesh and its replicators have a vast majority of their clients who are poor, mainly landless women, this is not true of a large number of other microcredit programs, including India’s self-help group (SHG)- bank linkage program. Most microcredit programs mainly reach the upper layers among the poor and some, mainly those above the poverty line. Because the microcredit promise was to reach the poor, if not the poorest, this phenomenon is not well regarded.



Yet, access to credit by those who are not among the poorest is not very much better than for the poorest, and what is more, these people generate much needed wage employment opportunities for the poorest. In addition, it enables the microcredit channel to spread its costs over a larger base. To therefore treat any lending to those slightly above the poverty line as mis-targeting is naïve.

5. Assumption that microcredit institutions can all become financially self-sustaining: While one supports the overall move for financial self-sustainability, the assumption that this can be possible for all microcredit institutions, needs to be examined. Even the best cases take too long to get there (e.g. Grameen Bank of Bangladesh in its first 20 years) or have got there by shedding their NGO avatar which needed early subsidies (e.g. PRODEM before it became Bancosol). India's SHG program has grown big on the basis of external support to the one-time costs of group formation and on going group support costs. With political pressure to lower interest rates on loans to SHGs, even the variable costs are not being met in most places.

Recent studies by CGAP show that only about 100 of the 10,000 odd MFIs round the world are financially self-sufficient. Thus the dual promise that microcredit is able to serve the very poor, and in a financially sustainable manner, is not borne out in practice. Experience shows that either one of these two mutually contradictory goals can be achieved, but not both together.

Interview with Stan Thekaekara

August 2006

Stan Thekaekara has worked extensively with tribal groups in India over the last thirty years. This journey began in the 1970s when Thekaekara joined the student movement and went to live in a tribal village in Bihar. In 1986, Thekaekara and his wife Marie set up an NGO called ACCORD to help tribal people reclaim their land.

Over the last few years, Thekaekara has been one of the key persons behind the formation of Just Change, which is both an idea and a process. The purpose of Just Change is to go beyond just 'fair trade' and strive for a system that cuts out the middleman by getting community groups to exchange directly with each other. Thekaekara is also a trustee of OXFAM GB.

You have been identified with the new economics stream of thinking for many years. Was this always an element of your work as a grass roots activist or did it evolve over the last 5 or 10 years?

When one is committed to fighting poverty, it is inevitable that one must think of economics. As early as 1974 when I first started working with the adivasis of Singhbhum district in current Jharkhand, I was struck by the injustice and lopsided nature of trade. Adivasis were forced to sell their produce at a pittance – a tiny fraction of the market price. Two things that we tackled way back then were – one: stopping the flow of paddy out of the village, and two: trying to market linseed directly. This was my first experience of trying to take control of a local economy. But this was not something thought through. It was just a common sense reaction to gross injustice.

It was only in the early 90's when India started down the path of globalization and liberalization that I started thinking more deeply about the relationship between local and global economies. With the collapse of the Soviet economy, capitalism seemed here to stay. In Gudalur we had launched an Adivasi land rights campaign in 1986, and in order to protect the newly reclaimed lands we had helped the adivasis plant tea on the land. This had a major impact on both the economy of the adivasis as well as the power relationship with dominant non-adivasi communities. However, we had catapulted the adivasis from a local wage economy into a global market economy.

This forced us to take a much larger view of the economy. Our involvement with the Fair Trade movement (we were selling our tea to a

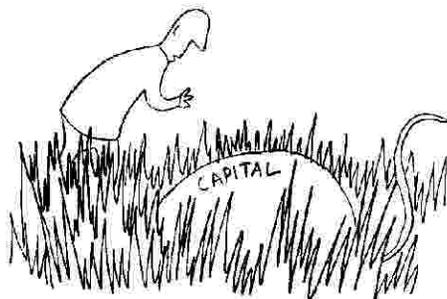
German Fair Trade organization) made us realize that, though well-intentioned, Fair Trade did not have an understanding of the economy. It was narrowly focused on getting a better price. It did not look at the power relationships between labour and capital.

Trying to analyse and understand the dynamics between labour and capital, between producer and consumer, between a local economy and global economy is what put me in touch with the New Economics school of thought.

So though my identification with New Economic thinking may be over the last few years, I would say that the seeds were sown by my experiences in the early 70s!

How do you define New Economics?

This is a difficult question and I don't know if anyone has a complete answer. It all depends on our point of contact with the economy. A bit like the six blind men of Hindustan! Those of us who are involved at the grassroots take a political perspective – it is about power and power relationships. The present market economy has vested power squarely and totally with capital. Governments kneel before the power of capital. Political power is superseded by economic power. Just look at the Bill Gateses, Ambanis and Mittals – and how governments vie with each other to shamelessly seduce their capital. Increasing the inflow of Foreign Direct Investment into the economy became the mantra, with no one concerned about the outflow of returns on the investment out of the economy. This kind of unfettered power of capital tends to strip local economies especially those that are market dependant. Those not blinded by the glitz of Bangalore and Hyderabad cannot fail to see what is happening to rural economies across the country. Why else are farmers committing suicide? Yet on the other hand ITC and now Reliance of the Ambanis are roaring into the agricultural economy. They would have us



believe that they come as saviours, but in reality the powerlessness of the farmers in a market driven economy makes them vulnerable targets for profit hungry capital.

So one aspect of New Economics is about changing these power relationships – of attempting to find new ways of striking a balance between the role and power of labour and capital. This is the area of New Economics that I am most concerned with.

But NE is more than that. We have to look at different systems that make an economy chug along – at the heart of it lies our currency system. So another aspect of New Economics is taking a hard look at our monetary and financial systems, looking for alternatives rather than accepting the present system as an unquestionable given. Bernard Lietaer, Richard Douthwaite and Tom Greco are a few of the people that have done a lot of work in this regard. They are talking of local currencies, alternative currencies and so on. The New Economics Foundation has also looked at money flows and the nature of money.

Yet another strand of New Economics is the issue of growth. The current capitalist economic model looks at growth with reverential eyes – in fact our economy is measured in growth terms and not in social justice or distributive terms. An 8% growth rate might mean a lot for the banking and insurance sectors but it might mean quite the opposite for a landless dalit or an Adivasi trying to scrape a living off a small piece of homestead land. New Economics challenges these paradigms.

New Economics is rooted in reality and not pipe dreams. It does not hanker after some glorious dream of a totally egalitarian world. It looks at the current economy and seeks to find new economic models that can make the world a better place.

These are some of the strands of New Economics – I am sure there are many more – as concerned people all over the globe struggle to protect the weakest. It is when these strands begin to get woven together that we will actually have a New Economy. We hopefully then won't have to define it for it should become a reality and not a concept. We have miles to go.....

How do you locate the work of Just Change within the framework of New Economics thinking?

Clearly in tackling the power relationship between capital and labour, especially in the area of trade. Fair Trade, movements against WTO,

campaigns for trade justice notwithstanding at Just Change, we feel that unless labour can participate in the economy on par with capital, we will not fundamentally change anything. It is not just about getting a better price for producers; it is about who has the power to decide the price.

In the present accepted economic structure, neither the producer nor the consumer has the power to decide. When the farmer enters the market gate, it is not she or he who decides the price. Euphemistically we say the market determines the price. Essentially it is the investors of capital that decide. If many people decide to invest in a particular commodity say coffee, then the price goes up as investors compete with each other. And vice versa. Either way the power remains with capital. We have to realize that traditional economics of supply and demand no longer operates the way it used to. Demand is created and supply can be manipulated.

Through Just Change we are trying to take that power back. Where consumers and producers can work together in their own interest. Where prices are negotiated not by the “market” (read *capital*) but by the producers and consumers themselves. For Just Change declares we the producers and we the consumers *are* the market.

Capital for us is just a tool that is necessary to enable us to trade. And over the years we have given that tool way too much power.

Just Change is about local economies becoming more powerful by local communities taking control over their economies. We do this by linking local communities producer communities and consumer communities. Through this, we are redefining what we mean by “local”. We do not see “local” in geographical terms, we see local in value terms. Communities, no matter if they are in India, Germany, UK or Antartica as long as they are willing to work together for the common good of all this community of shared vision for us becomes local!

Where has Just Change reached in this?

It is still early days as far as Just Change is concerned. In India things are proceeding quite rapidly. We are being cautious and slowing the pace to ensure that member communities are fully aware and committed to the concept. Early this year we formed the Just Change Producer Company with 10,000 families from four member groups in Kerala, Tamilnadu and Orissa as the initial shareholding members. Trade has started in most household items. We have learnt some key lessons, one of which is that we need robust retail systems and that we need to trade in all products

needed by family. As I speak, our first Just Change retail shop has opened in Kerala and a few more are slated to open by the end of this year.

At another level, we are developing tools by which we can measure local economies and the extent of control communities have over them. We are hoping that this will be a simple tool that communities can use to understand their power or lack of it in the economy. Just Change intends to use this tool to track whether we are having an impact or not.

What is the practice that can transform the work of others struggling to make a difference in the political economy of the poor and the dispossessed?

Those working for the poor tend to understand the economy in terms of access to services - especially education and health. The more politically savvy tend to ignore the economy and focus on political rights. We have to recognize that these are manifestations of a community having lost control over the factors that influence their lives. Those working for the poor have to develop the capacity to understand the economy, capital and capitalist systems, to understand financial systems, etc. I feel that there is very little understanding of this and this is most visible in the way that the NGO or voluntary sector have jumped on the micro-credit bandwagon. The obvious argument for micro-credit is that it increases the cash flow into local economies. By establishing the credit worthiness of the women through regular saving, they are able to access more capital through the formal financial sector. While this has very visible immediate impact on the local economy in terms of cheaper credit, a sudden realization of unfulfilled desires - there is very little understanding of the long-term impact of plunging communities and entire economies into debt, which is serviced not through new wealth creation, but through sustained “savings” by the women. This is what I mean by the need to understand the economy at a more fundamental level. Markets too must be understood not just as mere channels to sell produce, but from the point of view of the role they play in the local economy.

This holistic understanding of the economy is crucial if we are to try and bring about sustained change. We have to also recapture the strengths of the solidarity movement of the 70's and apply them to the economy. ICT should be used in more creative ways than just browsing the web and sending emails.

You were honored by the New Economics Foundation in UK by being asked to deliver the Alternative Mansion House speech in 2003. What in your view is the nature of the contribution of Indian activism to the global quest for a new economics?

The biggest contribution of Indian grassroots activism to New Economics thinking is that we bring to economics a political understanding and, more importantly, a culture of direct action. Take the farmer's movement of Karnataka who are going organic not just for environmental reasons but primarily for political reasons so that they are no longer dependent on the likes of Monsanto and other multi-national agri-business corporations for their seed and fertiliser. For people here, New Economics is not a theory or a nice refreshingly radical concept it is a matter of life and death. Ask any cotton farmer of Madhya Pradesh or Maharashtra. Ask any small tea grower in the Nilgiris.

The other thing is we have a history of mass mobilization. Our ability to get a message across to thousands, often millions, must be the envy of any marketing executive. We have committed members what the market would call brand loyalty. However, unfortunately we have not yet tapped the potential that lies in our hands. Ironically, the likes of ITC through their e-chaupals, Unilever's Shakthi brand marketing through womens SHG's have been quicker at attempting to capitalize on this.

Do you see the New Economics stream of activism flourishing in India? What are some of the challenges and obstacles it is facing?

Our biggest challenge is about mindsets. The NGO sector, the voluntary sector call it what you will, tend to consider markets "dirty", businesses as unethical and so tend to shy away from them as far as possible. Operating from a moral high ground, we have completely failed to understand some of the hard realities about how economies operate. So we tinker around the edges without actually engaging. Our strength, in terms of understanding the politics of poverty, is also our weakness: we fail to understand the economics of poverty.

But I think this will shortly change. People from right across social, cultural and economic spectrums are beginning to come together. Common cause beyond traditional barriers of class, caste, race and creed is slowly being established. Seeds of a quiet revolution are being sown and this time round let's hope it is unstoppable.

Stan Thekaekara on the origins of Just Change:

"In 1993 we sent tea to a group of women handloom weavers and received beautiful saris in return. Both groups were ecstatic. Our women who got beautiful saris at half the local market price and the women weavers who received our garden-fresh tea at one-third their local market price. This made us think. Why not use the strength of mass mobilisation and the infrastructure that we had built up to help poor producers' communities trade with each other?"

The next strand was the advent into our lives of GEPA, a German fair trade organisation. The "fair trade not aid" concept intrigued and appealed to us. We started selling tea to GEPA and used the premium earned to assist more adivasis to get control over their land...

But the visit of an adivasi group to Germany in 1997 raised some questions about the concept of fair trade. Bomman, one of the adivasi leaders, was thoroughly upset to hear that his new-found German friends paid three times more for our tea than it cost in Gudalur. "That's ridiculous and unfair," he protested, "How can our friends who work to support our struggle for self-reliance pay more for our tea? They should pay less, not more." Bomman's perspective led us to look at new ways of working which would incorporate his concept of what was fair.

In May 1994, sponsored by Hilary Blume of the Charities' Advisory Trust and Michael Norton from the Directory of Social Change, Mari and I visited Britain to look at development work there. In Easterhouse, Scotland, we looked at the endless cups of tea consumed and thought why don't we send them our tea? We could cut out some fat cat middleman and start a small marketing and distributing business for the local people. Or ginger? Michael Norton was delighted at the thought of our ginger coming to Scotland and being made into chocolate ginger in Easterhouse. Value addition, income generation and a wonderful solidarity between two groups an entire continent apart. He even gave it a name, "Direct Links".

In 1998, through Oxfam, we came in contact with the Matson Neighbourhood Project working with the residents of a council estate

in Gloucester. The high level of unemployment in the estate made the idea of Direct Links between the adivasis of Gudalur and the residents of Matson very attractive. Impractical, maybe even impossible, but the coordinator of the project, Mark Gale, was convinced it was worth giving it a shot. The local press picked it up and BBC Radio 4 followed with a four-part serial called 'Trading Places'.

An article in the New Internationalist outlining the idea brought a tremendous response from readers and convinced us that the concept was far bigger than tea, adivasis, Matson or Easterhouse. It convinced us that there is a global community which cares. All we need is a means to link them. The traditional means of linking these groups has been through aid and donor agencies. But traditional aid somehow diminishes the justice aspect of the poverty divide. Here, the Fair Trade groups have gone a step ahead and played a tremendously important role in bringing the question of justice to the forefront. They have created an awareness among ordinary people about the unfairness of the trade game and appealed to them to give a better deal to poor producers by paying more for their products. But the Fair Traders have not tackled the inherent injustice of the blatantly unfair structure of the entire trade economy.

These strands, then, were the germs of the Just Change concept, an attempt to link producers, consumers and investors in a cooperative chain which allows the three factors of production and wealth creation to work together for mutual benefit. It is now slowly developing into a fully-fledged system through which community groups have begun to trade directly with each other. From being helpless victims in a marauding global market economy over which they had no control, these communities are now beginning to hope that by working together they can strengthen their local economies by restructuring the way they trade.

Where we are now

Just Change is now a registered trust both in India and the UK. For strategic reasons we are developing and strengthening the model in India before moving into other countries. Pioneered by the Adivasi Munnetra Sangam (AMS) from Gudalur, three more people's

organisations - Bhoodhan Vikas Mandal (BVM), SAWARD and Sahabagyi Vikas Abhiyan (SVA) have joined the network here in India. BVM and SAWARD are both women's organisations in Kerala while SVA is a federation of dalit and adivasi organisations in Western Orissa. A number of other organisations will be joining soon.

These organisations will become shareholders in Just Change by providing a common pot of working capital. They will take out of the pot whatever it costs them to participate in the chain either as producers, value-adders or retailers to their consumer-members. The final value of the tea (or other products) when consumed goes back into the common pot and when books are closed, the surplus will be divided between all the shareholders. It will be left to the organisations to decide how to pass on this surplus to their members. While all of us are agreed that we will not touch the surplus for the next three years, the AMS has already decided that any surplus will be collectively used to contribute to the health care and education costs of their community while BVM is considering distributing the surplus among its members on the basis of how much of the tea each member has consumed.

At the heart of this system is the fact that everyone who joins the network, irrespective of their role in the network, are all seen as investors and therefore are entitled to share in the surplus. In the much-touted free market economy, only one participant in the economic chain is seen as an investor, the person who provides the capital, and it is accepted that this person owns the entire surplus - or profit. All other participants - the producer, the consumer - get nothing although their actions contributed to the creation of that profit. This is the reason that the rich are those with capital and the poor are those without. This applies to countries too. It does not matter whether a country is rich in natural resources or in labour as these commodities can be purchased with capital. It is the capital that counts... .

Just Change challenges the notion that investment is just a matter of the capital employed, that one can scoop up the entire surplus of any economic activity simply by putting up the necessary capital. Instead, Just Change offers a structure where it is possible for any participant in any economic activity to be seen as an investor as long as they are

willing and prepared to work as part of this structure. Just Change ensures that the generation of surplus is not for the benefit of any one participant but for all. The purpose of economic activity then changes from the creation of wealth (profit) to the creation of well-being for all... .

To me, local is not geographical. Local is not a small community, tucked away in some tiny village, struggling to produce all its requirements within a five kilometre radius. I think we live in a far too sophisticated, complex world for that to happen. And so I would redefine what we mean by local. To me local means linking up communities who believe in certain fundamental principles. It means linking up people who subscribe to a similar kind of thinking. To a similar set of values. It does not matter where we live. What matters is whether we are willing to work together for mutual benefit. Irrespective of our role within the economy – irrespective of whether we function as producers, consumers, or investors.

Years of “thinking globally and acting locally” has led us now to think locally and act globally as well! And so Just Change seeks to link these producers, consumers and investors in a cooperative chain where they can work for the mutual benefit of all within the chain, irrespective of where they might reside... .

Of course it (Just Change) is idealistic. But isn't our society built on precisely that - ideals? I do not see being idealistic and being practical as opposing or contradictory concepts. Ideals are what we seek or hope to achieve; being practical is how we will go about achieving it! The concept is idealistic - the way we go about it is not!

Whether human beings are basically selfish is not an economic question but a philosophical one. How much of our own behaviour is due to conditioning and how much of it is natural? What gives us most satisfaction, contentment and well being? How many of our most joyous activities are individual and how many are based on group or collective action?

Let me simply say I do not believe that we are fundamentally or naturally selfish. I have lived for too long with too many communities

and have many friends - none of whom are selfish. They may commit selfish acts but they are not selfish by nature and they are too numerous for me to believe that we as human beings are basically selfish and individualistic...”

Source: “JUST CHANGE: Humanising globalisation”,

<<http://www.feasta.org/documents/review2/theakaekara2.htm>>
[C.eldoc1/0703/theakaekara2.htm]

Just Change is also the name of a magazine committed to “change for a just world” and published in New Zealand:

“Just Change is a magazine about, by, and for those who are concerned with sustainable development, social justice, and human rights. Each issue is based on a different global concern. Writers are not journalists; they are either those working in development or students/teachers of development studies and related programmes. Articles and other contributions are based on academic research and/or development work in the field. The motivation for Just Change falls under Dev-Zone's mandate to inform and educate to empower people to take action to create a just world. Grounded in Aotearoa, New Zealand and the Pacific, but with a global reach, Just Change prioritises a holistic, sustainable, approach to development coupled with informed debate; a call for the development community and the general public to take action; and an overall aim of ensuring that the voices and the issues of those who are most vulnerable are heard.

Just Change is published every four months and is free to all in Aotearoa New Zealand. Issues are also available here on our website, in pdf format for those overseas wishing to access a copy of Just Change.”

<<http://www.devzone.org/justchange/?PHPSESSID=cd9b9fe5c5ee78811b8c96f21e91c973#abou>>

The underlying philosophy of New Economics is finding expression in a wide range of cultural and literary work. For instance, here are the thoughts of noted American philosopher and therapist Thomas Moore from his best selling book *Care of the Soul*:

“Once again we can turn to religion to search out some deeper images of wealth and poverty. In religious orders, monks take a vow of poverty, but if you visit monasteries you might be surprised at how often you find beautifully built and furnished buildings on prime real estate. The monks may live simply but not always austere, and they never have to worry for food and shelter. Monastic poverty is sometimes defined not as scarcity of money and property but rather as common ownership. The purpose of the vow is to promote community by owning all things in common.”

“What if, as a nation, a city, or a neighborhood, to say nothing of the globe, we all took such a vow of poverty? We would not be romanticizing deprivation, we would be striving toward a deep sense of community by feeling ownership of common property. As it is, we divide property literally into public and private. Owners can do anything they want with their private property within the limits of zoning laws, and even these do not always have the welfare of the community in mind.”

“If we do not feel any general sense of proprietorship toward the earth, then we can think that it is someone else's responsibility to keep the oceans clean and the air free of poison. The truly wealthy person, however, is the one who “owns” it all – land, air, and sea. At the same time, not splitting wealth and poverty, this wealthy person doesn't own anything. From the perspective of soul, wealth and poverty come together in responsible use and enjoyment of this world, which is only leased to us for the period of our tenure here.”

Source: Thomas Moore; *Care of the Soul*; Harper Perennial, 1992; p.191

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