Introduction

I would like to begin by thanking the organisers very warmly for having invited me to give one of these first annual Liverpool Schumacher Lectures. It is a pleasure to be speaking here.

I admired Fritz Schumacher greatly, and I had the privilege of speaking on the same platform with him several times. I vividly remember my feelings when the postman brought me a copy of his last book, *A Guide for the Perplexed*, with the author’s compliments, on the morning after I had heard of his death. Shortly afterwards I was asked to take his place on some of the engagements he was to have undertaken on a speaking tour of Canada. I have recently been reading some of the things he wrote in the 1960s, and I have been struck again by the continuing relevance and freshness (and humour) of his ideas. I am delighted that the tradition of annual Schumacher Lectures in Bristol is now being taken up in Liverpool too.

There is another reason why I am glad to be in Liverpool again, and to be here under the auspices of the Institute for Health. I spoke here almost exactly ten years ago in March 1988 at the first Healthy Cities conference held in this country under the World Health organisation’s programme on Health for All by the Year 2000. I have recently read with great interest the Liverpool City Health Plan. And I have for many years seen Liverpool and Merseyside as a classic example of what the bureaucrats in Brussels call “economic crisis regions”. Those are places, all over Europe and North America too, which once flourished on industries like shipping and ship-building, steel and coal and textiles, and which have found it hard to find substitutes for their dependency on those industries as history has overtaken them.

That raises one of the important questions I want to discuss.

- Should “economic crisis regions” aim to replace their old dependencies (which have now failed) with new ones? Should they, for example, go for golf-course-led growth? Some of you will no doubt remember the suggestion, seriously made by one of our Ministers for Industry in the later 1980s, that, in order to attract inward investment, local authorities in Northwest England should encourage the development of world-standard golf courses. The idea was that this would attract Japanese business leaders to set up factories and offices in the area, from which in due course jobs would trickle down to local people.
- Or would it be a better long-term strategy for areas like Northwest England to try to become more internally self-reliant and less dependent on external economic decisions
made by businesses and government agencies outside local control? I have no doubt that it would.

**Background**

The late modern period of history that we have been living through in the 20th century has been dominated by conflict between two centralising forces. They have been based, on one side, on a view of society dominated by big business and finance, and, on the other side, on a view of society dominated by the state. I refer, of course, to the conflict between capitalism on the one hand and communism and socialism on the other. Over the next few decades we need - and, I believe, we have the opportunity - to shift to a new economic system for the world, and a new direction of development, that will be less dominated by either big business or the state. It will be more people-centred.

This shift to a new economic system can be seen as part of a larger historical change, of the kind that Danah Zohar spoke of. I see it as the end of the modern age and the transition to a post-modern period of human history, marked by a new awareness of our common humanity and our kinship with the rest of creation.

So I believe we are living through and taking part in a very big historical change.. That is the background against which I see the particular themes I am going to develop today.

**A Remedial Society**

The kind of society we are living in is what you might call a remedial society. We concentrate more effort on trying to put things right after they have gone wrong, than on making them go right in the first place. It reminds me of the story of the man who lived at a bridge over a river, and spent a lot of time saving dogs from drowning as they floated past. If he had realised that at the next bridge upstream another man was throwing the dogs in, he could have stopped him. That would have saved him a lot of trouble and the dogs a lot of suffering. An important thing to remember as we face up to the economic and social problems that confront us is that, as a rule, it will be more effective to deal with upstream causes than with their downstream effects.

Health is a good example of the remedial approach. I don’t in any way want to underestimate the potential importance of initiatives like the Liverpool Healthy City Plan, other approaches to regeneration and health, and the work of bodies like the Institute for Health. But they are still swimming against the prevailing tide. As Schumacher himself pointed out thirty years ago, “The National Health Service is a great misnomer. It is the National Service to cope with sickness!” The fact is that our society pays more attention to sickness than to health. What we call our health services, health professionals, health statistics, health policies and health insurance, and so
on, are mostly sickness services, sickness professionals, and so on. Our Health Ministry is primarily a sickness ministry, and our Health Ministers are primarily sickness ministers. They cannot do very much to create a healthier society. That depends on things like employment and unemployment, food and farming, transport, planning and housing, which are other ministers’ responsibilities. (Health promotion and health education aim to be exceptions to that. I shall say a bit more about them in a moment.)

Law and order is another example. We employ huge numbers of people, and spend vast amounts of money, on police, prisons, law courts, probation services and other responses to criminal and disorderly behaviour after the event. We give less attention to how we might create a less divided, more inclusive society in which there will be less criminal, disorderly and anti-social behaviour.

Or take the environment. As the Brundtland World Commission on Environment and Development said in its report “Our Common Future” over ten years ago:

“environmental management practices have focused largely upon after-the-fact repair of damage: reforestation, reclaiming desert lands, rebuilding urban environments, restoring natural habitats, and rehabilitating wild lands”.

It is now beginning to be realised that a more upstream approach is needed. It is called “sustainable development”. Many of us here may be involved in Local Agenda 21 initiatives. But as yet sustainable development has had comparatively little influence on national economic policies.

In fact, until very recently, economic policies have tended to ignore illhealth, environmental damage, unemployment and social exclusion as inevitable side effects of economic progress. Economic orthodoxy has seen a health-damaging industry like tobacco as a valuable wealth creator, which provides money that enables us to employ doctors and nurses to treat such things as lung cancer and heart disease, and which also, of course, provides jobs. And economic orthodoxy tells us we need more economic growth to deal with the environmental damage that past economic growth has caused.

Blaming The Victim

I mentioned health promotion and health education. A society which has made little effort to become healthier by adopting healthy public policies across the board, has inevitably focused health promotion and health education on the behaviour of individuals. As is well known, this can easily degenerate into blaming the victim - blaming poor families because they do not eat healthy food which they cannot afford, or blaming poor lone-parent mothers for smoking when smoking may be the only way they can relieve the stress in their lives. Trying to persuade people to live more healthily in circumstances in which the healthier choice is the more difficult choice is bound to be an uphill struggle.
Something similar is now happening to consumers. This year the UN Development Programme and many other organisations are focusing on “sustainable consumption”. Of course, many of us do have some freedom of choice as consumers. But, for many people, preaching that they should consume less in the cause of sustainable development virtually amounts to blaming the victim.

The present economic system more or less compels most consumers to consume as they now do. They are trapped, along with producers and financial service providers (like banks), in a self-reinforcing circle of imperatives:

- consumption-must-grow, because
- production-must-grow, because
- money-must-grow and
- jobs-must-be-provided.

Consumerist values are reinforced, and pressure to consume is kept up, by non-stop commercial advertising aimed at maximising consumer spending. Meanwhile, propaganda from government, business, the media, professional economists and economic commentators continually rams it home that economic growth and rising high street sales are a “good thing”.

In those circumstance, trying to get a message across to consumers that they should reduce consumption in the cause of sustainable development doesn’t make much sense. There is a system here that has to be changed. The need is for systemic change, not just for disconnected changes in one part of the economic system or another.

**The Need For Systemic Change**

A healthy, environmentally sustainable and socially cohesive society will be

- a society which enables people and localities to take greater control over their own lives,
- a society which enables us to eat healthy food produced by environmentally benign methods,
- a society which enables us to use less transport and, when we do, to use transport of an environmentally less damaging kind,
- a society which enables us to use less energy and less energy-intensive methods of production and distribution (Energy-intensive activities are high-polluting activities.),
- a society which develops technologies of kinds that people need and can control,
- a society in which businesses and other organisations exist to serve the needs of people and not vice versa, and
- a society in which people will not necessarily have to depend on employers to give them jobs in order to gain a livelihood and make a valued contribution to society.

These various features of the good society that we should be aiming to move towards are not separate and self-contained. There is a web of interconnections and interactions between them. This constitutes what you might call an ecology of change - and, correspondingly, an ecology of
inertia. By this I mean that, if desirable change takes place in one area (e.g. towards lower energy use), it will help to create desirable change in others (e.g. towards more organic farming and less long-distance transportation); and that conversely, if desirable change does not take place in one area, that will make desirable change more difficult in others.

These interconnections create a problem for our present way of organising things. The departmental structure of governments and government agencies, and the similar departmentalisation of knowledge in faculties and disciplines at universities and research institutes, split these various aspects of the situation and its possibilities into separate compartments. A society organised into separate specialist careers, each with its own territory, groupthink and hierarchy, finds it difficult to develop a holistic practical vision of the future. So it is difficult for most people in mainstream jobs to deal with the situation whole. There are exceptions, of course, and some of them are here today. But much of the impetus and the pioneer work for the transition to a people-centred, environmentally sustainable, healthy economy will probably continue to come from outsiders, and not from the professional staffs of our governmental and knowledge institutions.

**Radical Reform Of Taxes And Social Benefits**

I will shortly come to the questions of work and livelihoods and local economic self-reliance. But the need for a radical reform of the taxes and social benefits system is relevant to them. The present system is one of the upstream causes which has damaging downstream effects. So first, I will say something about that.

Our existing system of taxes and welfare benefits is thoroughly perverse - economically inefficient, socially unjust, divisive, and ecologically damaging. The Devil himself would be hard put to design one that gives us a worse deal.

Taxes on incomes, employment, profits and added value penalise the contributions which people and organisations make to society. They tax people on the value they add, not on the value they subtract. By raising the costs of employment, they increase the level of unemployment, thereby causing grievous social problems and waste of human resources.

By contrast, the value which people subtract by using natural resources (such as energy and the environment's capacity to absorb pollution and waste) or by monopolising values created by society (such as land values) is largely untaxed. This encourages inefficiency and waste in the use of natural resources. And it means that publicly created values are siphoned off into private profit. To take a recent example, when the route of the new Jubilee tube line in London was published, the landowners of properties along the route enjoyed a big rise in the value of their land, which they themselves had done nothing to create.

And the benefits system has reinforced the perverse effects of the tax system. It has meant that many unemployed people would be worse off if they took up a job.
In the last few years, these problems have attracted growing attention. Rising interest in environmental taxation - "ecotaxes" - has brought out not only the case for higher taxes on pollution and the use of energy and other resources, but also the case for using the revenue from ecotaxes to reduce existing taxes on employment. And the “welfare to work” measures in this week’s budget in this country have recognised the need for changes in the tax and benefits systems to reduce the poverty and unemployment trap.

These can be seen as early, as yet fragmentary, steps towards a new system that makes better sense. It will be based on two major changes.

- First, it will shift taxation away from employment and incomes and useful work and enterprise, and on to the use of energy and resources, including land-ownership and the environment’s capacity to absorb pollution and waste.
- Second, out of the revenue from those taxes on the use of common resources, it will distribute a Citizen’s Income to all citizens as of right.

This will reflect the values of a society:

- which does not tax people for what they earn by their useful work and enterprise, by the value they add, and by what they contribute to the common good;
- in which the amounts that people and organisations are required to pay to the public revenue reflect the value they subtract by their use or monopolisation of common resources; and
- in which all citizens are equally entitled to share in the annual revenue so raised, partly by way of services provided at public expense and partly by way of a Citizen’s Income.

(Great deal more to say about this, but not here today.)

**Work And Livelihoods**

Tackling unemployment, poverty and social exclusion will be an essential part of a successful transition to people-centred, sustainable development. There can be no argument about that.

I see the situation as follows.

- **Point One.** Conventional jobs will continue to be important. We will see what the present government’s “welfare to work” policies achieve. I personally believe a more radical change in the taxes and benefits system will be needed, as I have outlined.
- **Point Two.** At the same time, it is unrealistic to assume that conventional jobs will necessarily be able to provide useful work and livelihoods for everyone. It is also questionable whether that would be desirable. It is important for people to be able to choose to do useful work for themselves and one another, without having to depend on an employer to give them a job.
- **Point Three.** In fact, much essential activity and useful work is unpaid work of that kind. It includes parenting, household management, and active citizen participation in the life of the neighbourhood and local community and in national and international
affairs. People should be encouraged to undertake work of that kind, and other useful voluntary and informal activities.

If you accept this view of the situation, it means that a twin-track approach is needed

1) First, to keep up the supply of jobs and people’s ability to take them up.
2) But, second, at the same time to reduce the demand for jobs, by enabling people to enjoy a livelihood and engage in useful activity without needing to find an employer to organise their work.

This approach will be furthered by:

- the proposal to shift taxation away from employment and incomes on to the use of energy and resources, thus making employment of people more financially attractive, and making energy-intensive methods less financially attractive; and
- It will also be furthered by the proposal to pay all citizens a Citizen’s Income, to provide both a launching pad for people to build up paid work, and an income base for people doing useful unpaid work.

It also means that

- people should be educated and trained, not just for employment, but to manage their lives as adults and citizens, including their work and activities as individuals and as members of co-operative, community, neighbourhood and household groups;
- people should be enabled to get easier access to "means of production", including land, work premises, equipment, capabilities and skills, and capital and credit; and
- more self-reliant local development should create new opportunities for local work using local resources to meet local needs.

Self-Reliant Local Development

More self-reliant local development, focusing local work and local resources to meet local needs, will play a key part in the transition to a people-centred, environmentally sustainable future. It will be particularly important for areas like Liverpool, Merseyside and other parts of the Northwest where resources of people and land are under-employed and needs are unmet. More cyclical, less linear, patterns of local economic activity should

- reduce flows of imports into (and exports out of) the local area;
- increase the local recycling, reconditioning and re-use of local materials and equipments; and,
- increase the recycling of local incomes and savings within the local economy.

Again, more self-reliant local development will be supported by the reform of the tax and benefit system I have outlined.

1) Shifting taxation away from employment and incomes and on to the use of energy, pollution and land will raise the costs of centralised energy-intensive production and long
distance transport, thus encouraging local production for local consumption. It will also make access to land and housing easier and more affordable for local people.

2) A Citizen's Income will make it easier for local people to take up part-time paid work, and unpaid work, which contribute to the economic, social and environmental needs of the local community.

Other measures will be important too.

- Local government authorities should be allowed to issue local currencies, and local community groups should be encouraged to set up LETS, especially in places where there is too little national currency in local circulation to provide the means of exchange to support local economic activity.
- Local banking and financial institutions, like community development credit unions, should be set up to enable local people to invest their savings in their own local economy.
- Planning policies should encourage local shops, and discourage the monopolisation of local trade by branches of national and multi-national businesses based outside the locality.
- Local indicators should be developed to monitor the social, environmental and economic conditions of the locality.

Some people have suggested that local communities should try to de-link their economies altogether from the national and global economy. Their self-reliant local economies could then become part of revived autonomous local cultures of their own. But I don’t believe that, even if this were desirable, it would be possible, except perhaps for some remote and already fairly self-contained communities in places like the West coast of Ireland. On the contrary, I see more self-reliant local economies as a key feature of an emerging new multilevel approach to economic organisation and governmental structure worldwide. In other words, I see economic localisation and economic globalisation as part of the same picture. They mark the end of the "wealth of nations" era in human history, and the emergence of a new one-world economic system which fosters decentralisation, self-reliance and sustainable development in nations, city-regions, districts and neighbourhoods.

The Fallacy Of Top-Down Control

We urgently need to move to such a multi-level system of economic organisation and control. A single top-down level of control cannot operate flexibly enough to manage a complex system efficiently. This is well recognised in engineering systems design. It is well recognised in business management, where the decentralisation of decision-making to profit centres and cost centres within a framework of overall corporate control is now the norm. It is not yet recognised by mainstream economists and economic policy-makers as applying to a national economy, or even to a continental economy in which they want everyone to be compelled to use the same currency.
Here is a story about top-down control. I hope it will be clear how it applies to making people depend on employers to provide their work and livelihoods, and making the health and prosperity of local economies depend on national and international interests and forces outside their control.

Once upon a time it is taken for granted that chickens can be allowed to feed only from the grains of corn they can find in horse manure. The result is that to give their chickens enough to eat, farmers must give their horses too much; and, when they stop giving their horses too much, their chickens get too little. Farm management policy is in a stop-go trap, for ever doing U-turns between giving too much corn to horses that are already too fat, and allowing too little food to chickens that are already too thin.

Farming experts argue constantly on TV and radio and in the papers about what should be done. Some favour giving the horses too much - they call it "going for growth". Others favour giving the chickens too little - they say that if the policy isn't hurting it isn't working. Some propose breeding a more competitive and enterprising strain of chickens. Others propose what they call "supply side" action to change the digestive system of horses. All agree that the chickens need better education and training. But, in fact, all these experts miss the point. It is so simple they cannot see it. It is that when the amount of food available to chickens depends on the amount given to horses, it is impossible for both to get the right amount.

You will be glad to know that the story has a happy ending. One farmer's little daughter secretly allows her father's chickens to forage for food that has not had to "trickle down" through horses. Horses and chickens both flourish on that farm. In due course, the little lass confesses and the truth comes out. Eventually, the conventional wisdom shifts. It becomes accepted that a single-level top-down system of control, determining how much food chickens get by how much is given to horses, is not after all a rational and efficient system of farm management. Decoupling control of chickenfood from control of horsefood gives better results all round.

The truth is that a single-level top-down system of control - whether in a farm, a business or an economy - cannot avoid imposing dependencies and rigidities which are highly irrational, dysfunctional and inefficient. When applied to the former centrally planned economies of the Soviet Union and Eastern Europe, this was widely regarded as obvious. But, for some reason, most economists and economic policy-makers still fail to recognise that it applies to the structure of market economies too.

So let me underline the point yet again. An efficient and rational economic system must be flexible. The need to control the level of activity in the national economy as a whole should not result in choking off purely local economic activity, especially in “economic crisis regions” like Liverpool and Merseyside and other parts of the Northwest. Nor should the number of jobs that employers find it economic to provide act as a limit to the useful work that people can do.
for themselves and one another. In the 21st-century economy, people and local communities should be liberated from these restrictions.

A People-Centred Future

In conclusion, then, I have been speaking of a more people-centred society - less employer-centred and state-centred than today's. Its citizens, more equal with one another in esteem, capability and material conditions of life than now, will all be entitled to share in the value of the common resources created by nature and society as a whole. (Peter Toyne spoke of responsible citizens. I am thinking of a society which respects its citizens’ right to be responsible). While citizens of such a society will find it easier to get paid work, they will no longer be as dependent as they are now on employers to provide them with incomes and organise work for them. The modern-age class division between employers and employees will fade - as the old master/slave and lord/serf relationships of ancient and medieval societies have faded. It will be more normal for people to work for themselves and one another and for the prosperity of their local economy.

In short, we need to transform the present dependency-creating and dependency-reinforcing economic system into one which encourages co-operative self-reliance. This will be the way to create a new commonwealth of more equal citizens, and what I have called a new “commonhealth” of healthier citizens, in the 21st century. It will be a “small is beautiful” economy, in the sense that city-region economies like Liverpool/Merseyside - and smaller local economies too - will be more self-reliant than they now are - more in control of their own economic destinies. But, as Schumacher himself said, greater freedom for many smaller economic units than today’s national economies will need to be combined with the orderliness of large-scale, even global, organisation.

Far too many people and nations are experiencing the late 20th-century economy as unfree and disorderly. The challenge we face is to create a healthy 21st-century economy genuinely based on freedom and order.

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