BEYOND THE DEPENDENCY CULTURE PEOPLE, POWER AND RESPONSIBILITY

by

James Robertson

SECTION 3

This extract contains Chapters 11 to 16 and the Epilogue. The other parts of the book can be downloaded from www.jamesrobertson.com/books.htm.

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BEYOND THE DEPENDENCY CULTURE People, Power And Responsibility In The 21st Century

SECTION 3

Section 3 contains Chapters 11 to 16. Sections 1 and 2 containing all the other chapters can be downloaded from www.jamesrobertson.com/books.htm.

SECTION 3 - Contents

Chapter 11. Beyond Horseshit Economics: Local Economies In A Changing Global Environment. (1992) 132

Based on the opening speech, and a contribution to a later panel discussion, at a conference on "Employment and Economic Regeneration in Crisis Regions" organised by Karl Birkholzer in Berlin in November 1992 under the auspices of the Berlin City Government and the Technical University of Berlin. Published in *Futures*, March 1993, as "The Fallacy Of Single-Level Control".

Chapter 12. Monetary Democracy For Europe. (1992) 145
Published as "Economic Democracy: A Multi-Level System Of
Currencies" in *New European*, Vol. 5, No. 2, 1992 - editor, John
Coleman, 14-16 Carroun Road, London SW8 IJT.

Chapter 13. The Keynes And Thatcher Revolutions Have Both Failed: What Now? An Open Letter To The Chancellor Of The Exchequer. (1993)

Published in *Resurgence*, May/June 1993 (editor, Satish Kumar) in a series on "Ways To End Recession". (Other contributors were Charles Handy, Hazel Henderson, Paul Ekins, and Richard Douthwaite.)

Chapter 14. What's Wrong With Nuclear Power? (1993) 161
A note on "Some Arguments Against Building More Nuclear Power Stations", written in September 1993 for the Churches' Energy Group - convener, Bishop Stephen Verney; chairman, Sir Frank Layfield. Previously unpublished.

Chapter 15. Investing To Create Social Wealth. (1995) 168
The text of the opening talk at a conference on "Developing Social Wealth: Financing The Social Economy", held in Birmingham in May 1995 by the UK Social Investment Forum (UKSIF) (Pat Conaty and

Danyal Sattar) and the International Association of Investors in the Social Economy (INAISE) (Viviane Vandemeulebroucke). Subsequently published in the conference report.

Chapter 16. A New Social Compact: Citizen's Income And Radical Tax Reform. (1996)

Published in *The Political Quarterly*, January-March 1996 (editors, David Marquand and Tony Wright).

Epilogue. (1997) 186

Index [TO BE ADDED] 193

SECTION 1 - CONTENTS

Page

Foreword

Acknowledgments vi

Introduction

Chapter 1. Post-Industrial Liberation And Reconstruction. (1977)

Paper for an Acton Society Trust conference organised by Krishan Kumar at Cumberland Lodge, Windsor Great Park, in July 1977; also given at a meeting of the British Association for the Advancement of Science on "Interdisciplinary Research and Social Progress", organised by Steve Cook at Aston University in September 1977. Published in *New Universities Quarterly*, Winter 1977/78.

Chapter 2. A Post-Marxist Strategy For The Post-Industrial Revolution. (1978)

Paper for a session on "Responsibility and Response-ability", at a national conference on "Shaping The Future: Canada in a Global Society", at the University of Ottawa, August 1978. Published in Conference Proceedings, edited by Walter Baker, Centre for Policy and Management Studies, Ottawa.

Chapter 3. The Political Economy of A More Conserving Society. (1979)

Paper for a meeting of the Parliamentary Liaison Group on Alternative Energy Strategies (PARLIGAES), organised by Renee-

Marie Croose Parry at the House of Commons, London, December 1979. Previously unpublished.

Chapter 4. Work: The Right To Be Responsible. (1980) 58 The Voltaire Lecture, on "The Right To Responsibility In Work". given at a conference on "Human Rights And Responsibilities" held jointly by the Progressive League and the British Humanist Association (Margaret Chisman) at Hoddesdon, England, November 1980. Previously unpublished.

SECTION 2 – CONTENTS

Chapter 5. What Comes After The Welfare State? A Post-Welfare Development Path For The UK. (1980) 75
Paper for a conference on "Welfarism - What Now?", Stockholm, August 1980, organised by Nordal Akerman for the Swedish Committee for Future-Oriented Research. Published in Futures, February 1982.

Chapter 6. A New Politics. (1984)

89

Introduction to Fritjof Capra and Charlene Spretnak: *Green Politics: The Global Promise* (UK edition), Hutchinson, 1984.

Chapter 7. Money: 1, Thou And It. (1984)

97

Text for a talk on "a question raised by the emergence of a global money system", at the Teilhard Centre for the Future of Man, London, in October 1987. Previously unpublished.

Chapter 8. Towards A Post-Modern Worldview. (1990) 106
Text of the Open Mind Guest Lecture, organised by John Quinn and broadcast on Irish Radio (RTE) in Dublin in October 1990 as "Health, Wealth and Wisdom for the 21st Century: the Missing Ethical Dimension in Science, Economics and Lifestyles".

Chapter 9. New Commonhealth. (1991)

Published in Sara Parkin (ed.): Green Light on Europe: Heretic Books, London, 1991.

Chapter 10. An Infernal Strategy Review. (1992) 127
Published in Sheila Moorcroft (ed.): Visions For The 21st Century,
Adamantine Press, London, 1992.

CHAPTER 11. BEYOND HORSESHIT ECONOMICS

This chapter is based on the opening speech (and subsequent contribution to a panel discussion) at a conference in Berlin in November 1992 on "Employment and Economic Regeneration In Crisis Regions". The conference was organised for the Berlin City Government and the Technical University of Berlin by Dr. Karl Birkholzer of the Institut fur Hochschuldidaktik's Forschungsprojekt. The conference led to the setting up of the European Network for Economic Self-Help and Local Development.

The text was published in *Futures*, March 1993 under the title "The Fallacy of Single-Level Control: Local Economies In A Changing Global Environment". The reason for the new chapter title will become apparent.

January 1997

THE FALLACY OF SINGLE-LEVEL CONTROL Local Economies In A Changing Global Environment

To be discussing new approaches to the economic problems of Berlin and the surrounding East German region in the aftermath of unification, on the spot with so many of the people directly concerned, is of special interest. But there is also a further significance to these proceedings. If Germany, so highly regarded for so long as a model of successful economic progress, is now beginning to focus on economic policy- making at regional and local levels within the national economy, economic thinkers and policy-makers in countries like Britain may at last begin to take this seriously too.

Local strategies for employment and regeneration in crisis regions raise questions that are more wide-ranging than might be apparent at first sight. These include questions about the further integration of national economies in the larger European economy, and about the further development of global economic structures.

These national and supranational economic structures will provide the future framework of expectations, opportunities and constraints for local economic decision-making and local economic activity. Their nature will help to determine whether local economic measures continue to be seen as merely remedial and marginal, or whether economic policy-making at local level will come to be seen as an integral part of a new approach, a multi-level approach rather than a single-level approach, to mainstream economic policy-making.

Conversely, decisions on the future role of local economic policy-making will help to shape the new national and international structures which are now needed to foster equitable and sustainable world development - an issue which is still very much alive in spite of the failure of the Rio Earth summit in July 1992 to tackle it effectively. They will bear even more directly on the form which further economic integration in Europe is to take following the Maastricht Treaty.

The Historical Background

Centralisation has been a dominant theme in the economic development of industrialised and industrialising countries during

the last two centuries. Localities and regions have become increasingly dependent and vulnerable. They have become increasingly dependent, as if on absentee landlords, for employment and for goods and services (including financial services and welfare services) on large organisations - industrial, commercial, financial and governmental - whose main interests and decision-making headquarters are outside the locality or region. They have become increasingly vulnerable to economic decisions, economic policies and economic events outside local control.

During the 19th and 20th centuries economic orthodoxy crystallised around the assumption that economic policy-making is a matter for centralised national macroeconomic management. Micro-economics came to be about the behaviour of firms, not about local economies or the economies of local communities or households. And, until fifteen or twenty years ago, it was generally accepted - in Britain, at least - that local government had no economic functions. Local government's functions were limited to environmental and social matters like planning and housing. So far as economic policy-making was concerned, local and regional economies were regarded as more or less non-existent.¹

One result of this process of national economic centralisation has been to reinforce economic imbalances within national economies - to widen the gap between richer, economically buoyant areas on the one hand and poorer, economically depressed areas on the other. For example, as national banking and financial systems became more centralised, they increasingly channelled savings out of depressed areas into investment in more active areas which offered a higher return. As national companies grew in numbers and influence, the development of their branch networks not only reflected but also helped to accentuate the shift towards economically active areas and away from depressed ones.

Most important in this respect has been the inflexibility of national macroeconomic policies, which control the availability of spending power and regulate the level of demand throughout the national economy. National economic policy-makers have always faced a dilemma. They can either aim to make enough spending power available to stimulate economic activity in the depressed areas of the economy, at the cost of inflating the economy as a whole. Or

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¹ [1997 note. I still recall this as one of the points impressed upon me as a young Whitehall official in the 1950s.]

they can aim to avoid inflating the economy as a whole, at the cost of not making enough spending power available in the depressed areas to stimulate local economic activity there. They can very rarely achieve both the goal of controlling national inflation and the goal of stimulating the depressed parts of the economy. (Monetarists have leaned toward the first of these, controlling inflation. Keynesians have leaned toward the second, stimulating the economy. But both have faced the same dilemma.)

The damaging effect of a single-level system of macro-economic control, and the need for a more flexible system of economic demand management, is a key point for the future. I shall come back to it later.

Recent Developments

From as far back as the 1920s and 1930s up to the present time - I am speaking here of Britain - there has been a continuing history of special policy measures with a confusing variety of different names and titles, aimed at providing remedies for the problems of depressed areas. They have not been successful, in the sense that no effective or lasting solutions have yet been found.

However, in the last fifteen or twenty years the assumption that local economies have no existence and that local government has no economic functions has begun to be questioned. So far the questioning has mainly involved practical, piecemeal responses to local need and local crisis. A systematic new approach to the management of local economies has still to take shape.

The more conventional type of response, on which much the most money and effort has been spent, has been externally orientated. Local authorities have accepted the dependency of the local economy on outside economic forces as a fact of life, and have looked to the outside world for the answers to their economic problems. They have competed with one another to make their region or locality financially, socially and environmentally attractive to national and multinational employers.

This has led to various imaginative ideas and false hopes. Typical of these has been the idea of golf-course-led growth. The suggestion, seriously made by one of our British Ministers for Industry in the later 1980s, was that, in order to attract inward

investment, authorities in the North Western part of England should encourage the development of a number of world-standard golf courses. These would attract senior Japanese businessmen to set up factories and offices in the area, and in due course jobs in them would trickle down to a number of people living in that part of the country.

The most spectacular recent failure of this externally orientated, trickle-down approach to the economic regeneration of depressed local areas in Britain has been Canary Wharf. It has been calculated that the greater part of £6,000,000,000 (six billion pounds sterling) of British taxpayers' money went into this top-down scheme, now bankrupt, to regenerate London Docklands. Little of it reached the people actually living there. Not only has it brought them little benefit. It has positively damaged local jobs, local housing, the local environment and local quality of life.²

Americans, too, are familiar with the efforts of local authorities and city governments to attract inward investment by outside business corporations in new factories and hi-tech plants in their areas. They call such efforts "smokestack-chasing" and "chip-chasing".3 remember finding, on one visit to the United States about ten years ago, that almost all the towns I visited were hoping to turn themselves into the microchip manufacturing centre of North America. In Britain we are not quite so ambitious as that. Our depressed towns and districts tend to pin their hopes on tourism, museums and theme parks. But, unfortunately, whatever external source of salvation an economically depressed region looks for, there just isn't enough potential inward investment, or enough demand for microchips, or enough tourists, or enough whatever else out there, to go round. In other words, it is only possible for this externally orientated approach to be successful in exceptional cases, not as a general rule.

This began to become apparent in the later 1970s and early 1980s. Another, more innovative, approach to local economic regeneration then began to attract increasing support. This approach is internally, not externally, orientated. It aims to mobilise unused local resources - especially unemployed people - to meet unmet local needs. It places the emphasis on fostering a greater degree of

² All That Glitters Is Not Gold: A Critical Assessment Of Canary Wharf, Docklands Consultative Committee, Unit 4, Stratford Office Village, 4 Romford Road, London E15 4EA, May 1992), p.1.

³ David Morris, New City States, Institute For Local Self-Reliance, Washington, 1982.

internal economic self-reliance, rather than renewing and reinforcing external dependency.

Initiatives of this type have mushroomed all over the industrialised world in the 1980s and 1990s. Nevertheless, they are still seen as exceptional and marginal so far as economic policy is concerned. They are not yet widely recognised for what they could turn out to be - first steps towards:

- a new perception of local and regional economies as distinct entities in their own right, each needing an autonomous economic policy-making capability of its own, and
- a new emphasis on greater local and regional self-reliance as an economic policy goal.

In short, the basic situation remains today much as it has been. In a centralised national economy, local economic regeneration is not seen as a goal of mainstream economic policy. It is still seen as remedial - a lifeboat operation to pick up some of the casualties that the centralised mainstream economy leaves in its wake.

The Internationalisation of Economic Activity

So, if that is the situation in a world of centralised *national* economic policy-making, how will it be affected by the increasing *internationalisation* of economic activity?

There is little doubt that further European economic integration, in the unitary form of Economic and Monetary Union and a single European currency as proposed in the Maastricht Treaty, would tend to reinforce the situation I have described. It would be a further measure of economic centralisation. It would further accentuate economic imbalances between different regions of Europe. It would tend to worsen the prospects of the crisis regions. It would require a larger lifeboat operation to rectify the imbalances and remedy the crises in the economically disadvantaged regions. That is well recognised. The larger remedial role - the bigger lifeboat - is provided for in the Maastricht Treaty's proposals for a new Committee of the Regions - and an enlarged European Regional Development Fund, together with the so-called Cohesion Fund.

One possibility for the future would be simply to accept this, to recognise that the present plans for European Economic and Monetary Union will create an even more urgent need to deal with a

larger number of economic crisis regions. It would then be necessary to step up preparations to meet that need. But another possibility is to seek an alternative to the unitary form of European economic integration that is now proposed.

Let us be quite clear about what this means. To oppose a unitary form of integration does not mean opposing further European economic integration as such. Internationalisation is a feature of all aspects of human activity today, including economic development. That is a fact of life. Multinational corporations and multinational banks now affect us all. The impacts of economic activity in one country now affect others - just think of acid rain, or global warming, or Chernobyl. At the European level, closer economic cooperation has long been seen as a contribution to peaceful, secure relations between the peoples of Western Europe. global level, the need to evolve a more environmentally sustainable world economy, which will also be more equitable, calls for a new economic approach at the world level and for more effective worldeconomic policies and institutions in the spheres of international trade, aid and finance.

So further internationalisation of economic structures, both in Europe and at the global level, is - in my view - desirable and inevitable. The important question is what form it should take, and what should be the guiding principles underlying it.

Two Guiding Principles

There should be two main guiding principles.

The first is the democratic principle. Must the process of internationalisation make the exercise of economic power still more undemocratic? Must it make people in localities and regions even more dependent than they now are on remote economic institutions over which they have no control? Must it make them even more vulnerable to economic decisions taken without regard to their own local and regional circumstances?

Or can the process of economic internationalisation be accompanied by a process of economic decentralisation and economic democratisation? Can the European Community principle of subsidiarity be applied in the economic sphere? In other words, can we organise for economic decisions to be made and economic controls to be exercised at the closest possible level to the people affected by them? Instead of arguing whether centralised economic powers should or should not be transferred from the national level to the European level, can we begin to evolve a multilevel structure of economic policy making and management - local, national, international? Can we arrange for policy decisions affecting the economic interests specific to us, as Berliners or Londoners, or as Germans or British, or as Europeans, to be the responsibility of democratically controlled government authorities at each of those levels?

The second guiding principle is the principle of economic rationality and efficiency. The key point here is the irrational and inefficient effects of a single-level system of macro-economic control.

The Inflexibility of Single-Level Control

A single level of control cannot be flexible 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. The following story may make the point clearer.

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 all

these sophisticated experts miss the point, which is so simple they cannot see it. The point 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.

However, the story has a happy ending. One farmer's little son secretly allows his 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 lad confesses and the truth becomes known. Eventually, in spite of resistance and all manner of far-fetched explanations from the experts, the conventional wisdom shifts. It becomes accepted that a single-level system of control, determining how much food is supplied to chickens 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 truth⁴ is that a single level system of control - whether in a farm, in a business or in 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 has always been widely regarded as obvious. But, as I have said, most economists and economic policy-makers still fail to recognise that it applies to the macro-economic management of capitalist market economies too.

So let me underline the point yet again. An efficient and rational economy, that facilitates the use of available resources to meet needs that would otherwise remain unmet, must be flexible. It must decouple control of what needs to be controlled locally from control of what needs to be controlled nationally, and it must decouple both of these from control of what needs to be controlled at a supranational level.

A Multi-Level Approach

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I suggest, then, that we need to explore the possibility of further European economic integration - and, beyond that in due course, the further development of global economic policy-making

⁴ A more important truth, according to one American reader of the *Futures* article when it was published, is that much conventional economics is "horseshit". Hence the new title of this chapter.

institutions and instruments - on a multi-level basis, not a unitary basis. We need to explore how a multi-level structure of economic policy-making might work, with each level exercising economic controls appropriate to its area - supranational, national or subnational - according to the specific needs of the area in question.

It would imply, to take one example, that instead of aiming to replace national currencies with a *single* European currency which everyone in Europe would be compelled to use, we should introduce - at first on an experimental basis - a *common* European currency to be used alongside national currencies by those who would find it useful to do so. Moreover, it would imply that city and other local authorities should be allowed to issue their own local currencies or quasi-currencies - means of local purchasing power - to be used alongside the national and European currencies, if they thought it necessary to make new local spending power available in their locality to enable unused local resources to be employed to meet unmet local needs.

This is not the place to discuss the details or argue the merits of such a multi-level currency system. I mention it, not because I think it is an idea that will carry general agreement today. (If I were asked to guess, I would say it might be another four or five years before it comes on to the mainstream political and economic agenda.) I mention it to illustrate the fundamental nature of the changes likely to be needed, if the evolving framework of international and national economic decision-making is to become more, rather than less, supportive to regional and local economic regeneration.

The same principle can be illustrated by considering the role of the household in the economy. In reconceptualising the economy as a multi-level system and restructuring economic activity on a multi-level basis, we need to include the household level as well as the supranational, national, regional and local levels. We need to recognise, as conventional economic theory and policy-making today do not, that the household - like the subnational region or locality - is an economic entity which either produces wealth and wellbeing or fails to do so. More rational economic policies for the future will then aim to enhance the capacity of households - as well as of localities, regions and nations - to create wealth and wellbeing. The economic role of the household must be an important item on the new economic agenda for subnational regions and localities.

That will have radical consequences. Recognising the economic role of household workers will call in question the conventional assumptions that the basic productive unit in the economy is the firm (company), and that the only "economically active" work is work done by employees for employers. The assumption that people must depend for work on the amount of employment generated by employers will then be seen for what it is - another example of the chickens-must-depend-upon-what-trickles-down-That false but largely unquestioned through-horses syndrome. assumption now provides the basis for policy across a wide range of fields - including employment, education, training, social security, taxation, housing, environmental planning and industry. It is the root cause of the unemployment problem, and it contributes to a range of personal and social problems and tensions connected with the economic and work roles of women and men in modern industrial societies. In this context it was interesting to find that the same department of the Berlin city government is responsible both for Employment and for Women's Affairs.

Environmental Sustainability In A Multi-Level System

It will be clear, I hope, that adopting a multi-level rather than a unitary approach to closer international economic cooperation would open the way to systematic local and regional policy-making as a positive aspect of mainstream economic policy.

Local and regional economic policy-making of that type would give more attention than today to:

- ways in which a greater proportion of local needs could be met by local work using local resources;
- ways in which a greater proportion of local income could be encouraged to circulate locally, instead of leaking out of the local economy; and
- ways in which a greater proportion of local savings could be channelled into local investments or loans, in order to contribute to local economic development.

Many local and regional economies would clearly have the opportunity to become more sustainable than they are today, in the limited sense of becoming more self-reliant and less vulnerable to economic decisions and policy changes and events outside their control. But this new approach to local economic policy making

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would encourage them to become more environmentally sustainable too.

In the first place local economic policy-makers, in pursuing the three points mentioned above, would, for example, encourage energy conservation and, where this is possible, the use of local energy sources to meet a greater proportion of local energy needs. That would reduce the dependence of the local economy on outside energy sources, and increase the proportion of local income and expenditure available to circulate locally. As a spin-off, it would also contribute to environmental sustainability. Encouraging more recycling of local waste is another policy that would contribute both to greater local economic self-reliance and to environmental sustainability. In suitable localities and regions, increasing the proportion of local food consumption met by locally produced food could do the same.

Energy, waste recycling and food are just three examples of many possibilities for local import substitution that systematic new strategies for increasing local or regional self-reliance would be able to pursue. And, of course, the overall volume of goods transported between localities will be lower, if localities generally become more economically self-reliant than today.

But, secondly, beyond these particular contributions to environmentally sustainable development, which would come about as spin-offs from the pursuit of greater local economic self-reliance as a policy goal, we should also envisage the emergence in the coming years of a policy-making structure at national, European, and United Nations levels that will, among other things, increasingly encourage environmentally sustainable development at every level. Within that new multi-level framework, it will become a positive aim of policy-making, at subnational levels as at others, to encourage environmentally sustainable patterns of activity.⁵

A Twin-Track Approach

In conclusion, then, we should recognise that further international economic integration is desirable and inevitable. But we must ensure that this does not result in the further centralisation of an

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⁵ [1997 note. This is now happening in an increasing number of local areas under Local Agenda 21 programmes initiated as a result of the 1992 Earth Summit.]

already overcentralised unitary system of economic policy-making and management. On the contrary, the internationalisation of economic policy-making must be accompanied by decentralisation of economic functions to subnational regions and localities. Innovative arrangements to liberate them from out-of-date rigidities in the economic system will be an essential counterpart to further international economic integration.

A twin-track, simultaneously internationalising and localising, approach of this kind will enable the peoples of Europe to pursue still further their post-war vision of peaceful economic cooperation. It will mean that further European economic integration can become democratic and decentralising. It will enhance overall economic efficiency. It will encourage local enterprise. It will positively help all those who are grappling with the persistent problems of crisis regions, instead of making their task more difficult. And it will be a key element in evolving the new global policy-making structures which will be needed to foster more environmentally sustainable economic development worldwide.

Cholsey, 1992

CHAPTER 12. MONETARY DEMOCRACY FOR EUROPE

This chapter was published under the heading "Economic Democracy: A Multi-Level System Of Currencies" in *New European*, Vol. 5, No. 2, 1992 - editor, John Coleman, 14-16 Carroun Road, London SW8 1JT.

It takes forward the discussion in Chapter 11 about a multi-level approach to the evolution of a one-world, decentralising economic system, and develops the case for a multi-level system of coexisting currencies as part of it.

Since 1992, the arguments for such an approach have become more widely understood. In particular, interest has grown in the spread of Local Exchange Trading Systems (LETS) which, at the grass-roots level, enable local people to club together to exchange goods and services with one another and to keep score, without having to acquire national currency in order to do so. But the important potential role of local currencies more generally is also becoming increasingly understood.¹

January 1997

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¹ [1997 note. An excellent account of LETS and other local currencies will be found in Richard Douthwaite, *Short Circuit: Strengthening Local Economies for Security in an Unstable World*, Green Books, 1996. Its two chapters on "Cutting the Monetary Tie" and "Banking on Ourselves" run to 117 pages.]

ECONOMIC DEMOCRACYA Multi-Level System Of Currencies

Can the dynamic of economic integration in Europe become democratic and decentralising, instead of bureaucratic and centralising? Can it help to foster local enterprise and local economic autonomy, instead of increasing the dominance of multinational businesses and banks? If it is to do so, it will have to include - among other things - the development of a multi-level system of co-existing currencies.

In addition to existing national currencies this will involve the creation of a common, as opposed to a single, European currency - broadly on the lines of the British Treasury's proposals of November 1989. But it will also involve something neither the British nor any other European government has seriously contemplated yet - the emergence of city and other local currencies at the subnational level.

These co-existing European, national and local currencies will have to be flexibly but coherently articulated with one another within an integrated European framework. But before going into the details, we need to look at the context - both at the sub-European national level and at the supra-European global level.

First, then, let us remind ourselves that, within the nation, the conventional national monetary system based on a single national currency has a centralising and dependency-creating effect.

In essence this effect arises whenever the need is imposed on people to obtain money from sources outside their own collective control in order to secure their livelihood and enter into economic transactions with one another. From earliest historical times those with power have used money this way as an instrument of domination and exploitation. By taxing subsistence farmers, ancient kings - like modern colonial rulers - compelled them to work as paid labourers for larger landowners, since that was the only available source of money to pay the taxes.

Just so, today's centralised national monetary system artificially restricts economic autonomy and freedom within the nation.

A single national currency for the whole of Britain means that the economic activities of the inhabitants of a city like Liverpool, suffering from economic decline and high levels of unemployment, have to depend on inflows of the national currency - which their depressed circumstances make it very difficult for them to earn. Under a single national currency they depend on inflows of it, not only to provide them with the external purchasing power to import goods and services from other parts of the nation or from abroad - which is reasonable enough. They also need them because they have no local source of internal purchasing power to support purely internal economic activity within the local economy of the city itself. And that, when you think about it, isn't reasonable at all.

Why, then, are Liverpudlians not allowed to issue their own city currency as a medium of exchange to support economic transactions between themselves within their own city? Such a currency might not be readily accepted or highly valued elsewhere, but it would certainly provide a means of reviving and supporting the internal city economy. Exactly the same goes for the inhabitants of other comparable cities in Britain - and in other countries too.

The answer is that there is no reason in economic logic or equity why cities should not issue their own currency. Tiny nations, like Seychelles, far smaller in population than Liverpool, issue their own currency and prosper the better for it. The main reason why city currencies are not allowed is that the national government, national banks and national businesses want to keep their dominant power of external control over the internal economic activities of the nation's cities.

It may seem strange that, with one or two shining exceptions like Jane Jacobs in *Cities And The Wealth Of Nations*, so few professional economists and monetary and financial experts have questioned this in the past. The fact is that the great majority have identified, most of them no doubt unconsciously, with the centralising tendency of their employers, who have almost always been national and supranational government agencies, business corporations and financial institutions, or universities, research institutions and journals parasitic on those agencies.

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 $^{^2}$ Also see David Weston on "Money and Our European Environment" in *New European*, Vol.3, No.6, 1991.

As we approach 1994, the 300th anniversary of the birth of the modern national monetary system with the founding of the Bank of England in 1694, we must bring this and other aspects of conventional monetary orthodoxy increasingly under the spotlight. This will help to stimulate more thoughtful discussion about the monetary aspects of further economic integration in Europe than we have seen hitherto.

Turning now to the supra-European context, it is striking how parochial and Eurocentric the approach to European monetary integration has been so far. It is as if none of the well-paid people responsible for it has been aware of the integrative pressures also bearing on the international economy at the global level. pointed out two years ago in New European, 3 the increasing urgency of global ecological problems, the growing hold of transnational corporations on economic life, the global impact of the Third World debt problem, the emergence of a one-world financial system based on computer communications between Tokyo, London, New York and other financial centres, and the increasing need for international consensus on the policies of organisations like the IMF, the World Bank and the GATT, all emphasise the need to measure of economic integration, and institutional structures needed for economic policy and management, at the global as well as the European level. necessary institutional innovations must eventually include some form of global currency or quasi-currency to replace the US dollar, whether developed out of Special Drawing Rights - as was once expected - or via some other route.

The need for a more integrated global framework of this kind, within which the nations of the world - rich and poor alike - can be encouraged to switch to a sustainable direction of development, seems bound to emerge even more clearly when the Earth Summit - the UN Conference on Environment and Development - achieves either success or failure in Brazil in June this year. But even five years ago, when the Brundtland World Commission reported in 1987 on *Our Common Future*, those whose job it was to formulate sensible directions for European economic integration, might have noticed the wider context in which further European integration would be taking place.

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³ New European, Vol.3, No.1.

If they had noticed it, they might have paused to consider whether their approach to European integration would make sense if extrapolated to the global level. In that case they would hardly have thought of proceeding on the simple assumption that the right way forward involves the progressive transfer of functions, such as issuing a currency, from lower to higher levels - now from the national to the continental level and, according to the same logic, in due course from the continental to the global level. The prospect of 80% of all important economic decisions in Europe being taken in Brussels, and the inhabitants of John o' Groats being forced to use the same currency in their corner shop as the people of Heracleon in theirs, delighted Jacques Delors. He might have been less enthusiastic about the prospect of that being merely a staging post en route to 80% of all the important economic decisions in the world being taken in a single centre, and of the inhabitants of Paris being forced to use the same single global currency as the inhabitants of Papua New Guinea, Murmansk, Milton Keynes and Timbuctoo.

Quite clearly the right question is not whether particular economic and monetary functions should be transferred from one level to another - from national to European, and in due course from European to global. The right question is how these functions are to be carried out at each level of a multi-level one-world economic system - designed to be positively decentralising and empowering - and how they are to be articulated between one level and another.

So, how to proceed?

The first step is simply to accept, with an open mind, that a multilevel system of co-existing currencies might perhaps be worth taking seriously as a possible feature of further economic integration.

The next step is to hypothesise how such a system might be developed. For example, each level of government - European and local (where a local government authority wished to do so) - might be encouraged to issue its own means of payment (an embryo currency) in parallel with existing national currencies, and to use it in payments to and from itself. Banks and other financial institutions might be expected to handle accounts denominated in these new currencies, as well as in existing national currencies. All organisations and individuals would be free to decide which

currencies to use in transactions with one another, and to operate bank accounts in whichever currencies they wished.

Taking this or something like it as a starting point, the next step will be to carry out detailed studies, including computer simulations, on how such arrangements could actually be expected to work, what their implications might turn out to be, and what variations on them might be desirable. For example, a question to be considered will be whether it should be open to governments (at European, national and local levels) to regulate or to tax currency exchange transactions in any way, or whether such transactions should be left to the operation of an entirely free market in currencies. This process of study and simulation can be expected to lead to some modifications and refinements of the original proposals, and eventually to a set of workable proposals which, after exposure to public discussion and debate, and given the political will, could be progressively introduced.

I am confident that work on these lines will be done in the next year or two, perhaps not by the governmental monetary authorities or commercial financial institutions who might be expected to do it, but by pioneering bodies such as the New Economics Foundation and others like it.⁴ It will be an important practical contribution to the vision needed, but so far largely lacking, as a guide to further economic integration in Europe.

Cholsey, 1992

⁴ [1997 note. That confidence has not yet really been justified. Although interest in the idea of multiple or parallel currencies has been growing, little serious analytical or model-building work has yet been done on it. It will come - but, as always, later than one hopes and expects.]

CHAPTER 13. AFTER KEYNES AND THATCHER: WHAT NOW? An Open Letter To The Chancellor Of The Exchequer

This chapter was first published in *Resurgence*, May/June 1993, under the title "The Keynes and Thatcher Revolutions Have Both Failed: What Now?". Norman Lamont was Chancellor of the Exchequer at the time.

I had for some time been aware of the arguments for combining the introduction of a Citizen's Income with radical tax reform, including energy and environmental taxes. Being commissioned to write this article by the editor of *Resurgence*, Satish Kumar, spurred me to explore the topic in greater depth. In 1994 the New Economics Foundation published a pamphlet of mine called *Benefits and Taxes:* A Radical Strategy. Chapter 16 below, on Citizen's Income and Radical Tax Reform, published in the *Political Quarterly* in January/March1996, developed the discussion further. More recently, in November 1996, in connection with my Visiting Fellowship at the Green College (Oxford) Centre for Environmental Policy and Understanding, I helped to convene a seminar on this subject under Sir Crispin Tickell's chairmanship.

January 1997.

THE KEYNES AND THATCHER REVOLUTIONS HAVE BOTH FAILED: WHAT NOW? An Open Letter To The Chancellor of The Exchequer

Dear Chancellor,

We are not making a very good fist of managing our economic affairs. You may not admit this publicly, but in your heart I am sure you agree.

After all, it isn't just a question of your personal competence, or the competence of your particular party. There is no politician, no party, no established school of economic thought, that knows how to do much better. The state of the art is backward.

Even if some shoots of short-term recovery are now visible, we have very little room for manoeuvre over the next few years. It's the same old story. As far back as most of us can remember, we have been caught in the Stop-Go trap. Our only options have been policies that would stoke up inflation, policies that would deepen recession, and U-turns between the two.

Keynesian policies, by pumping up demand, have led to runaway rises in wages and prices. Monetarist policies - reducing demand by keeping interest rates up and public spending down - have raised unemployment and set back the economy as a whole. Prices and incomes policies - negotiated by government with industry and the trade unions to keep costs stable - have simply not worked.

In the last few years, membership of the European exchange rate mechanism (ERM) tightened this trap. European Monetary Union and a single European currency system a la Maastricht would tighten it further. Being forced to leave the ERM was a blessing, at least in the short term. But simply reverting to national economic management on the old model won't get us far.

So, what are we to do?

I believe the time has come to change economic goals altogether and aim for a new path of economic progress - more ecologically sustainable, more socially just, more concerned with quality of life than with conventional economic growth. But I wouldn't dream of trying to persuade you of that. You and your Cabinet colleagues and your Treasury advisers, and - for that matter - your political opponents and their advisers, dismiss ideas like that as irrelevant. You would throw this letter straight in the bin marked "Greens, Third World do-gooders, New Age weirdos, etc.".

No, my suggestions to you are more in tune with accepted traditions of economic analysis and Conservative party thinking. Their aim is to improve economic efficiency,

- first, by removing obstacles to the more efficient use of the three traditional factors of production labour, land and capital,
- and second, by evening out the Stop-Go cycles.

Why Keynes And Thatcher Both Failed

Following the slump of the 1920s and 1930s, many people hoped that Keynes had found a way forward.

He recognised that rigidities and blockages had developed in the economy, such as organised wage-bargaining by trade unions and monopolistic price management by big business. Whatever might have happened formerly, the frictionless adjustment of wages and prices to supply and demand no longer took place, which - according to classical economic theory - would automatically restore the economy to equilibrium at full employment. Positive intervention was needed to pull the economy out of recession.

Keynes focused on a blockage that impeded the efficient use of capital. Saving and investment were no longer automatically matched to one another by supply and demand as classical economic theory assumed. Those who saved were now a different group of people from the entrepreneurs who invested. At times of recession, savers would have a high propensity to hoard the money they saved, i.e. to keep it liquid and out of circulation. The rate of interest necessary to persuade them to lend their savings to investors would be higher than the interest which commercial investors would be willing to pay, given the low prospective return on investment at such times. How, then, to restore investment, incomes and demand to a level that would get the economy going again?

Keynes' answer was that government should fill the gap with publicly financed investment programmes. For a time many people

hoped that this would work. But once the exceptional war-time and post-war 1940s and 1950s were over, that hope proved unfounded. Keynesian policies kept up employment only by keeping inflation up too. The rigidities which made the economy malfunction could not, after all, be effectively by-passed or neutralised by the kind of intervention Keynes proposed.

So by the late 1970s the time had come to try again to restore freemarket flexibility and enable the economy to function more nearly according to the classical economic model. That has been the aim of Conservative governments since 1979.

Unfortunately, neither you and the other ministers in these governments, nor the free-market economists who have advised you, have appreciated how far-reaching a thoroughgoing free-market approach would have to be. For all the sound and fury surrounding your labour legislation and denationalisation programmes, they have been too narrowly focused. Let me explain.

Paradoxical though it may seem, the Thatcher revolution is failing for much the same reason as the Keynes revolution failed. It has concentrated on only one of the three factors of production. The Keynesian strategy operated on the availability of capital, in the hope that intervening to bypass the blockage there would be enough to make the whole economy function more efficiently. The Thatcherite strategy has concentrated on labour, in the hope that removing blockages to more flexible employment would do the trick. The hope in both cases has proved vain. The lesson seems clear enough. It is necessary to operate on all three factors of production, to remove blockages to the more efficient use of all three. The five proposals that follow, for fundamental changes in the social security and tax systems, are designed to meet that need. A good deal of work has been done already on each of these by different expert groups. I suggest that you should consider combining them.

Work

Proposal 1. A Citizens' Income.

As many existing social benefits as possible, including unemployment benefit, child benefit and state pensions, should be consolidated into a basic monthly income paid unconditionally to all citizens.

Proposal 2. Taxes.

Income Tax (including National Insurance), Value Added Tax (VAT), and Company Profits Tax should be phased out.

Artificial obstacles now prevent a match between the potential supply of work and the potential demand for it. They keep people idle instead of enabling them to do work that clearly needs to be done. These obstacles arise from the existing social security and tax systems, and the assumptions underlying them.

You will notice that I have called this factor of production "work", not "labour" as economists normally do. This is because we must now question the assumptions that:

- people should normally depend on employers to organise their work and provide their income, i.e. give them a job,
- paid work is more valuable than unpaid work, and
- paid work is the only work that need concern economic policy makers.

Perhaps it is not surprising that in their time Keynes, and later Beveridge, failed to question dependency on employers as the norm. But you and your Conservative colleagues in the 1980s and 1990s might have been expected to do so, given your much proclaimed aversion to the "dependency culture". However, you seem to have been bothered only by dependency on government and trade unions. You seem to have had no objection to people being dependent on employers to provide them with work - nor, for that matter, being dependent on big business and big banks.

My first and second proposals, then, are aimed at removing features of the social security and tax systems which both

- discourage employment of the conventional kind, resulting in many millions of people in this and other European countries now being unemployed, and
- discourage people from engaging productively in the unpaid family and neighbourhood work of the household and the local community.

A Citizens' Income will improve economic efficiency in a number of ways.

• It will allow many people to undertake useful work who are now kept idle by the unemployment and poverty traps. These often compel unemployed people to keep themselves available for jobs which don't exist, or mean that, if they do start working, they will lose more in lost benefits (and tax) than they will earn.

- By enabling people to negotiate with employers on a more equal footing, it will permit a freer labour market, thus improving the efficiency of business and industry. On the one hand, normal levels of wages and salaries may tend to fall. On the other, potential employees will be better placed to demand higher pay for unpleasant work.
- It will liberate people to do useful unpaid work in their households and neighbourhoods. It will raise the work status of family care and care in the community.
- Finally, by cushioning people against the downswings of the Stop-Go cycle, it will help to stabilise the economy.

The Citizens' Income should be paid for by new land and energy taxes - see below. A full Citizens' Income could not be paid for out of Income Tax or VAT without raising those taxes to levels that would stifle economic enterprise and efficiency.

Even at present levels, these taxes penalise the results of work. They skew the economy against work in favour of capital-intensive forms of production. Income tax, in particular, creates disincentives to work, including the poverty trap. Together with company profits tax, it discriminates against household production in favour of business production, because households have to buy their productive equipment out of taxed income whereas businesses do In effect, value-added tax too is largely a tax on work. requirements cumbersome administrative are They penalise small enterprises in particular. wasteful. these taxes generate an amount of tax avoidance activity which is unproductive and economically inefficient. They should be replaced with new taxes on land and energy, to which I now come.

Land And Energy

Proposal 3. Land Tax.

A tax on the unimproved value of land, or a site-value rent, should be phased in, as existing taxes are phased out under Proposal 2. (Eventually, this tax could also replace this year's new Council Tax, with a proportion of the revenue from it going to local government.)

After Keynes and Thatcher: What Now?, 1993

Distortions affecting the economically efficient use of land - i.e. the matching of the potential supply of land to potential demands for it - are hardly less serious than those affecting work.

Most of the reward from land now goes to those who hold it, while many of the associated costs do not. Activities of the community as a whole raise site values in a locality, but the capital gain on each particular site goes to its owner. It often pays landowners to keep valuable sites unused, in order to sell them later when their value Speculation on rising land values distorts land will have risen. prices, generally making them significantly higher than they would otherwise be.

This puts land out of reach for many potential users and uses, and puts housing out of reach for many people who need it. It also amplifies the turbulent effect of Stop-Go cycles. When recession comes, the slump in land and property values can be devastating as many young people will testify today who, having bought their first home, now find themselves with negative equity, i.e. debts greater than the value of their property.

As a general rule, the site-value tax will not raise production costs (which may fall as a consequence of Proposal 2), because land owners will be unable to pass the tax on to land users. because, in a market economy, the price that land users can pay for land is limited by the production costs they can afford and those in turn are limited by the prices people are prepared to pay for what the land users produce. In practice, no doubt, landowners will try to recoup some of the tax by raising the prices of the products and services they themselves produce (as land users) and by raising their rents to tenants. They may succeed to some extent owing to imperfections in the market. But the most important effects of the tax will be to reduce the unearned element in incomes which land owners now get from its profitable use, and to increase the costs of land owners who keep their land out of use or use it unprofitably. 1

This will tend to bring about an overall reduction in the capital value of land, making it available for people and purposes not able to get it now and generally encouraging more economically efficient use of By reducing the scale of speculative capital gain (and loss) from land, it will also help to damp the swings of the Stop-Go cycle.

¹ This paragraph is a revised version of the original one, which was misleading.

Proposal 4. Energy Tax.

A new tax on energy should be phased in, along with the new tax on land.

Energy is the other basic natural resource, along with land, that enters into all or virtually all economic activity. It must now be treated as an aspect of the factor of production traditionally known to economists as "land".

Like the proposed land tax, the new energy tax will be levied at the point where energy first enters the economic system, i.e. at source. It will then cascade down through the economy, tending to raise the price of all goods and services with a high energy content and to reduce all salaries, wages, dividends, capital appreciation, etc., that derive from high energy use. It will encourage the efficient use of energy, just as the new land tax will encourage the efficient use of land. (It will also, of course, tend to reduce the total use of energy and the pollution which energy-intensive activities create.)

Revenue from the new land and energy taxes will have to finance the additional government spending needed for the Citizens' Income, as well as replacing revenue from the taxes being phased out. So the levels at which they will have to be set will be fairly high.²

Capital

Proposal 5. A Currency Exchange Tax.

A tax on currency exchange transactions should be introduced. This could be set at 1% of their value.³

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² [1997 note. Illustrative calculations were included in my booklet *Benefits and Taxes: A Radical Strategy*, New Economics Foundation, 1994.]

³ [1997 note. Such a tax is often known as a Tobin tax - after James Tobin, the Nobel-Prize-winning economist who first suggested it. A much lower rate of tax is suggested by those who view the purpose of a Tobin tax as simply to raise revenue to finance the United Nations, rather than to dampen speculation and provide an effective buffer or threshold between national and international (and between local and national) economies. For discussion of the issues at the international level, see the Report of the Commission on Global Governance, *Our Global Neighbourhood*, OUP, 1995, p.219; and *Futures*, Vol. 27, No. 2, March 1995, - Special Issue on: "The United Nations at Fifty: Policy and Financing Alternatives".]

Distortions now affect the economically productive use of capital no less than labour and land. And these distortions also make a major contribution to the turbulence of the Stop-Go swings.

95% of the foreign exchange transactions in London have nothing to do with trade in real goods and services. The overwhelming emphasis on making capital gains and avoiding capital losses can result in spectacular ups and downs, as on Black (or Golden) Wednesday last September.⁴ The same goes for the stock exchange and other financial markets. Channelling savings into new investment in productive activities plays a very small part. The great majority of capital transactions take place in the secondary market - i.e. the buying and selling of already existing assets like stocks and shares.

The more efficient use of work and land and energy will itself make for more efficient use of capital. It will encourage people to invest their savings in enterprises and activities in which work, including their own work, plays a major part. It will help to reduce the attractions of speculative capital gain. And it will damp the volatility of capital asset values and the turbulence of Stop-Go swings. So the proposed tax on currency exchange is the only measure I wish to suggest now specifically to promote the more efficient use of capital.

This tax will provide some disincentive to currency speculation. It will bring in revenue, in addition to the new land and energy taxes, needed to replace the taxes being phased out. It will also encourage import substitution and greater economic self-reliance. But that raises large questions about the future of the international economy, including the future of the European Community after Maastricht. And those are not the subject of this letter.

More far-reaching changes in the monetary and financial system, involving the "denationalisation" of money, would also encourage the more efficient use of capital. Moreover, there may be a case, once the five proposals I have put forward have been implemented, for removing all taxes on capital gains and capital transfers. But each of those is another very large topic, which I cannot cover in this letter.

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⁴ [1997 note. In September 1992 speculation against sterling forced its withdrawal from the European Exchange Rate Mechanism (ERM) and its devaluation. The day became known as Black Wednesday, except by those who saw sterling's devaluation as a boost to British exports and the British economy as a whole. They called it Golden Wednesday. Many still see it that way.]

Conclusion

You will now be starting to think about the second 1993 Budget, a historic event when - for the first time ever - the government will be looking at its spending and revenue proposals together. I congratulate you and your colleagues on this long overdue reform. It makes it possible to consider a combined programme of spending and tax changes on the lines I suggest.

Phased in over a period of years, these changes will help to create a much freer and more efficient market economy. Of course, there never could be such a thing as a totally free market. The way a market behaves is inevitably shaped by the government-created framework of laws and regulations, taxation and public spending, existing at any particular time. But the changes I am proposing in the framework will lead to greater economic freedom and efficiency. For that reason I imagine you may be sympathetic to them.

If you wish to take them forward, the first step will be to ask your officials to examine their implications. What would the overall picture of government spending and revenue look like, given the Citizen's Income on one side and the new pattern of taxation on the other? At what levels would the Citizen's Income and the new land and energy taxes be set? What problems of administrative feasibility would have to be overcome? What would be the main effects on economic activity? What would the international repercussions be? How fast might it be possible to phase in the whole programme?

I am sure this is the way into the future, and out of the Stop-Go era. I very much hope you will be prepared to take the first steps along it. As it happens, it will also contribute to environmental sustainability, social justice and quality of life. But just count that as a bonus. It may bring you votes from circles which do not normally give you support.

With best wishes, James Robertson

January 1993

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⁵ [1997 note. There is also the fact that, if a totally free market economy were ever to exist, it would increasingly find itself dominated by an increasingly small number of increasingly powerful players who would diminish and then destroy the freedoms of other less powerful people and organisations. The free market would automatically transform itself into one that was unfree.]

CHAPTER 14. WHAT'S WRONG WITH NUCLEAR POWER?

For many years I have understood why so many people are so strongly opposed to nuclear power, and I have shared that point of view. My vision of a more self-reliant sane, humane and ecological (SHE) future has included the liberation of people and local communities from our present degree of dependence on large, remote, nationally and internationally controlled sources of energy supply, "whether dominated by coal miners, nuclear engineers or oil sheikhs". I have felt that the prospect of a world dominated by nuclear power reflects all that is wrong with the vision of a hyper-expansionist (HE) future. It epitomises the drive to perpetuate the dependency culture. I still hold that point of view today.

This chapter was written for the Churches' Energy Group in September 1993 as a discussion paper on "Some Arguments Against Building More Nuclear Power Stations".

The Group had been convened so that supporters and opponents of nuclear power could discuss together how the world's needs for energy could best be met, recognising that we were "all deeply concerned to protect our home - planet Earth - from a threatening catastrophe". The hope was that this might make it possible to narrow the areas of disagreement. The chairman was Sir Frank Layfield, who had chaired the long-running public enquiry that led to the government's 1987 go-ahead for the Sizewell B nuclear power station. The convenor was Bishop Stephen Verney. The executive secretary was Peter Saunders, a public relations official (and latterly an independent consultant) in the nuclear industry.

A selection of the group's papers, under the title "Energy", was published as the Winter 1993 issue of *Christian Action Journal*. However, by then the internationally respected environmentalist Diana Schumacher and I had regretfully left the Group. We felt that it was failing to give sufficient emphasis to the questions of social, political and ethical principle and value which we felt were important. In retrospect, it may have been unrealistic to hope that a group of people with such strong pro-nuclear and anti-nuclear commitments could reach agreement.

January 1997

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¹ [1997 note. See Chapter 3 above.]

WHAT'S WRONG WITH NUCLEAR POWER?

I have been asked to cast this note in negative form: Why should more nuclear power stations NOT be built. Let me first summarise the positive choice from which that negative follows.

It is necessary to develop new ways of enabling everyone in the world's growing population to meet their energy needs, while drastically reducing worldwide emissions of greenhouse gases from fossil fuels - including reducing CO_2 emissions to about 10% of the present UK per capita level in the next fifty years.

The right way to do this is by:

- improving energy efficiency,
- changing to less energy-intensive patterns of progress, and
- developing the use of renewable energy sources.

As well as phasing out fossil fuels, the strategy should include:

- building no more nuclear power stations,
- phasing out existing nuclear power stations, and
- decommissioning them and cleaning up the nuclear detritus left over from the past forty to fifty years.

That is the right course not just in the UK itself. By taking it, we will help to lead other countries in the right direction. In commercial terms we will develop capabilities in energy efficiency, renewable energy supply and nuclear clean-up, for which worldwide demand will continue to grow rapidly.

There are many reasons for phasing out nuclear power.

Nuclear Power Is Not Necessary. Independent experts (e.g. from the Stockholm Environment Institute) are quite clear that fossil fuels do not have to be replaced by nuclear power. They have shown that 60% of the world's needs can be met by renewable energy by 2030 and 100% by 2100, and that nuclear power can be phased out by 2010. (This is regarded as unnecessarily slow by scientists working for bodies like Greenpeace and Friends of the Earth.) There is now clear scientific evidence that phasing out nuclear power as well as fossil fuels is technically and economically feasible. The question is about the will to do it.

Nuclear Power Is A Distraction. The over-riding priority is to develop energy efficiency, energy-conserving patterns of progress,

and renewable sources of energy supply. Building more nuclear power stations would falsely imply that that cannot meet the need, and would weaken the sense of urgency and political commitment for it. The divisive effect of continuing controversy over nuclear power would further distract attention from it.

Nuclear Power Denies The Need For Repentance. Entrusting a significant future role to nuclear power would be a form of escapism. It would encourage the belief that humankind can continue on its present course regardless: produce more, consume more, put our faith in technical fixes; escape the personal and political responsibility of deciding to change direction; dismiss theological talk of repentance or "metanoia" as irrelevant to the real choices of real people living real lives.

Are Arguments In Favour Of Nuclear Power Objective? This has to be questioned.

- Most people who advocate nuclear power have a specific connection with nuclear science or the nuclear industry. They profit from it, are paid by it, are making a career in it, or have spent their life's work in it. Few of those who, even as independent external inspectors, are qualified to pronounce on the technical safety of nuclear power, would be qualified to do so unless they had committed their working lives to the nuclear field. By contrast, many of those who question nuclear power do so as citizens, in support of no specific material interest or personal commitment of their own. That their part is David's against Goliath will have struck anyone attending a public enquiry.
- Strong emotional commitment drives those who argue for nuclear power. Nuclear spokespeople suggest that they deal in objective facts, and their opponents in subjective fears. The converse is just as true: they rely on subjective hopes, against which their citizen opponents produce objective facts.
- The case for a continuing worldwide role for nuclear power ignores evident objective facts about human behaviour and fallibility. It presupposes a make-believe Dr. Strangelove world, where everything is strictly controlled by highly trained, tidyminded, impeccably behaved, professional scientists and engineers working in laboratory conditions.

Plain common sense requires us to question the objectivity of "expert" views on many of the following points.

Safety Risks. Statistics today can calculate the risks only from the historical record so far. But the risks for the future are of huge disasters, rising dramatically if worldwide use of nuclear power were to grow. Not just operating risks. Risks, for thousands of years, from the impact on nuclear installations of terrorism, war, civil unrest, management breakdowns, corruption, and many other forms of human fallibility - let alone unpredictable natural hazards like earthquakes and volcanos.

Health Risks. The long-term health risks of future worldwide use of nuclear power could not be responsibly assessed until after several more generations at the earliest.

Future Generations. It is wrong to impose on future generations problems and costs which will last for thousands of years and risks which we cannot now evaluate.

Risk Evaluation. In every field of science and technology, people are increasingly unwilling to accept risks which experts declare to be "safe enough" or "as low as reasonably achievable" - ALARA, in their professional jargon. People note that the acceptable safe limits of exposure to harmful substances are revised downwards as the years pass, and that scientific interventions often go wrong. Well-known examples in the medical field include thalidomide, fertility treatments, cancer misdiagnoses, and blood transfusions for haemophiliacs. Distrust of expert judgement is particularly strong where nuclear power is concerned, partly because of the magnitude of the potential disasters when the scientists and engineers get it wrong.

Military Spin-off. An expanded world role for nuclear power would be bound to increase the risk of proliferation of nuclear weapons, and their availability to terrorists and madmen. Nuclear experts argue that it is technically difficult to make nuclear weapons from materials and equipment needed for nuclear power generation. Whatever the truth of that, it misses the point. In the real world as it is, effective international surveillance to prevent proliferation of nuclear weapons would be seriously weakened if every potential Saddam Hussein could legitimately claim possession of large quantities of nuclear materials and equipments. (Remember how supergun components for Saddam Hussein were nearly passed off as oil pipework?)

High-Level Security Requirements. These involve a degree of security and secrecy that fosters complacency, poor management, dishonesty, failure of accountability, and other symptoms of a potential Big Brother state. This may have been particularly evident in the former Soviet bloc. But the nuclear industry's record elsewhere has already led many people to a similar conclusion - not just because of false financial costing, misinterpretation of scientific data and concealment of accidents, but also over its links with private and public security and intelligence agencies. There have even been suggested links with violent crime in Britain and the USA. Karen Silkwood's death is a well known example from the USA. In Britain, a suggested explanation for the unsolved murder of Hilda Murrell was that she could have been the victim of a botched surveillance operation linked with her opposition to Sizewell B - or alternatively with her nephew's part in the Belgrano controversy. Whatever the truth about that particular case, the fact that people found such an explanation plausible speaks for itself.

Financial Costs. It has been calculated that, when all the relevant costs of nuclear power are counted in - including R & D (research and development), planning and construction, operation, insurance, waste disposal, and decommissioning - they are greater than those of any other method of meeting energy needs. Although such calculations can be disputed, e.g. by imaginative estimates of global warming costs attributable to fossil fuels, the facts speak for themselves. First, the eventual costs of nuclear power will not be known for thousands of years, until no more expenditure is needed to deal with its wastes and any future hazards they may cause. Second, so far as the present situation is concerned, the U.K. private sector was unwilling to take over nuclear power stations at the time of privatisation, when - for the first time - the real costs became widely understood.² Now, contrary to the free-market philosophy which the present U.K. government would apply if it could, the state-owned nuclear operators are heavily subsidised. They are guaranteed against having to meet "unexpected" costs associated with decomissioning existing power stations and the management of spent fuel and nuclear waste. They are guaranteed against having to meet liabilities of more than £20 million in the event of accident. They are guaranteed that the grid will take all the electricity they can produce. They receive an annual subsidy of

² [1997 note. This refers to the original privatisation of the electricity industry as a whole. More recently, the newer nuclear power stations have been privatised. The price at which the government was able to sell them was massively written down in comparison with their original cost.]

£1.25 billion, costing electricity users a 10% addition to their electricity bills. And government R & D spending (1990 figures) on nuclear energy is £115m., contrasted with £14m. on energy conservation, £16m. on renewables, and £11m. on fossil fuels.

Energy Budget. It has also been calculated that the energy budget of nuclear power yields a deficit, in other words that nuclear power uses more energy than it produces. The total amount of energy used to research, develop, build, operate and decommission a nuclear power station and manage its wastes will be greater than the amount of energy the power station can generate during its operating lifetime. Again, as with financial costs, calculations of this kind can always be disputed. What cannot be disputed is that nuclear power compares unfavourably in terms of its energy budget with other ways of meeting energy needs. The "payback period" - how long it takes for the energy produced to exceed the energy used - for wind energy, for example, is very short. The payback period for nuclear power will not be finally established for thousands of years, when no more expenditure of energy is needed to deal with its wastes and whatever hazards they may cause.

The Third World. The Third World does not need nuclear power to meet its energy needs. There is even greater scope there for solar, biomass and other renewables, together with energy efficiency and conservation, than in the "developed" world. The Third World only needs nuclear energy like it needs imported tobacco products - to keep Western multinational companies in business. There is a particularly insidious form of neocolonialism here. support nuclear power argue that the reason why it has proved so dangerous and expensive in the former Soviet bloc - which had well developed capabilities in science and technology - is that nuclear power stations were badly managed there. How, then, would good management of an increasing number of nuclear power stations be ensured in countries all round the world which do not have those capabilities? Who would build, manage and control them? And how There could be only one answer. They would they be financed? would be built, managed and controlled by multinational companies, and they would be financed by even higher levels of Third World debt than those which cripple Third World economies today. (The Bataan Nuclear Power Plant in the Philippines can be cited as an example. Built by an American company on an earthquake fault for \$2.2 billion amid accusations of fraud, it remained idle while costing the Philippine people \$355,000 a day in foreign debt interest payments. When eventually - in 1992 - debt relief proposals were

offered, they were conditional on the Philippines government not taking the American multinational company to court.)

Political. Nuclear power is politically divisive. That is an objective fact about the real world. It cannot be wished away by hopes about nuclear power's potential to achieve satisfactory technical performance in a make-believe world. Wise leaders and responsible citizens avoid gratuitous political conflict, when - as in this case - an alternative course of action is available.

Maintaining A Nuclear Energy Capability. Some nuclear advocates claim that, even though new nuclear power stations are not needed, some should continue to be built in order to maintain the capability to build them, in case that capability might be needed at some future date after all. That argument ignores that:

- A substantial nuclear energy capability will be kept in being, whether new power stations are built or not. Its task, for which it will have to keep up with the crucial aspects of the state of the art, will be to deal with the still outstanding challenges posed by nuclear waste disposal and decommissioning.
- Any new power stations that were to be built in the U.K. in the foreseeable future would not be of British design. We are already dependent on imported knowhow.
- The principle of continuing to do something for which there is no foreseeable need or demand, in case the ability to do it might possibly be needed some time in the future, belongs more to the political economy of Alice in Wonderland than of the free market. It could be applied to almost anything anyone cared to suggest.

To Sum Up. Nuclear power is unnecessary. It exemplifies many of the sinful and ungodly features of the present approach to economic development worldwide - addictive and exploitative, dominating and dependency-reinforcing, unecological and spiritually arrogant. Commitment to a new direction of sustainable development must be a repentance. It must give high priority to giving up nuclear power.

September 1993

CHAPTER 15. SOCIAL INVESTMENT

A key feature of the dependency culture is the assumption that savers and investors should depend on financial experts and financial institutions to decide how their money should be used - to what kinds of people and companies it should be lent, in what kinds of initiatives and projects it should be invested. Just as the dependency culture expects people to hand over to employers the responsibility of deciding the purposes of their work, so it expects them to hand over to bankers and fund managers the responsibility of deciding the purposes to which their money should be put.

Recent years have seen a significant growth in ethical investment and social investment. In a negative sense, this is about people deciding not to allow their money to be invested in businesses of which they disapprove, such as the arms, tobacco and alcohol industries. In a more positive sense, it is about people deciding to invest in activities or companies which they positively want to development of support, such as the new environmental technologies like wind-power, or enterprises committed to fair trade with Third World producers, or companies with fair and equal employment policies. The growth of institutions that enable people to invest according to social and environmental, ethical and political, values is an important feature of a society beginning to throw off the dependency culture.

This chapter takes further the discussion of a number of points raised in Chapter 7. It contains the text of the opening talk at a conference on "Developing Social Wealth: Financing The Social Economy" held in Birmingham in May 1995. The conference was organised by the UK Social Investment Forum (UKSIF) and the International Association of Investors in the Social Economy (INAISE).

January 1997.

INVESTING TO CREATE SOCIAL WEALTH

Rather more than ten years ago I did a study on "Finance for Local Employment Initiatives" for the OECD and Directorate-General V of the European Commission. So it's good to see DG V represented here today. That study confirmed, for me, the importance of the idea of investing to create social wealth.

Then, in a 1987 paper on Socially Directed Investment: and its potential role in local development, I wrote:

We have to envisage the possibility that a "third sector", consisting of enterprises with mixed economic and social objectives, will emerge alongside the conventional public and private sectors as a major feature of the 21st-century economy, and that with it will evolve a "financial third sector" alongside conventional public sector and private sector finance

And later, in *Future Wealth*, ² I wrote:

Investment to create social and environmental wealth will have a vital role in the new 21st-century economic order. An important strand in 21st-century economics will be to develop the practice and theory of social and environmental investment. New criteria and procedures for evaluating, accounting and auditing such investment will have to be worked out. New institutions will be needed to enable people...to channel their savings into this kind of investment".

My sense of the need to develop social investment to create social wealth has become even stronger since then, and I have no doubt of the importance of the pioneering role of INAISE and UKSIF in this field. Later speakers will be discussing specific aspects of investing in the social economy. So I want to say something about the broader context in which social investment may develop in the coming years.

Three Different Views Of Social Investment

There are different views about the potential of social investment. I am not talking here about the different perspectives of:

¹ This paper was written for a New Economics Foundation conference at Wadham College, Oxford in 1987 on "Converging Local Intiatives", the convergence being between economic, social, environmental and financial initiatives.

² Future Wealth: A New Economics for the 21st Century, Cassell, 1990, p.16.

- individual investors;
- public sector and governmental agencies;
- non-financial private-sector businesses and corporations;
- private-sector financial institutions; and
- third sector bodies (voluntary, non-governmental, etc.).

Social investment does, of course, mean something different for each of these.

- For individuals and third sector bodies (like churches) social investment means opportunities to invest in enterprises and projects they think worthy of support.
- For the public sector it means opportunities to use public expenditure more productively than on conventional social spending on welfare.
- For private sector enterprises it means mainly at least at the present time opportunities for cost-effective promotional expenditure on "public relations" and "community affairs".

But I am talking about something else - different views about the potential future significance of social investment for mainstream economic and social life.

- 1. Marginal, Remedial an Alternative to Charity or Welfare. This is the view taken until recently by most business people, financial people, economists and policy-makers. They recognise that a comparatively small number of non-conforming individuals wish to invest "ethically", in order to support enterprises and projects they think worthy of support. They also recognise that some public sector support for, say, community enterprises in areas of high unemployment may be a more cost-effective use of public money than welfare benefits. And they recognise that business and financial corporations are prepared to channel part of their promotional budget into social, including local community, projects. But they see ethical investors as a marginal minority interest (more concerned with charitable giving than proper financial investment), they see the social investment of public funds as a temporary shortterm remedy for exceptionally high unemployment in particularly badly affected areas, and they see business spending on social investment as ancillary, not integral, to mainstream profit-making business activity. In short, they don't see social investment as a potential feature of mainstream financial and economic life.
- **2.** Long-Term, Transformational. This is a more visionary view. It holds that we are entering a period of transition from the modern

age to a post-modern age, which will be characterised by people-centred development. Our ideas about work and money, and the way we use them and organise them, will change profoundly - as will other aspects of life and thought. This view sees today's conventional approach to investment, aiming for purely financial returns regardless of other considerations, as unsustainable for the long term. As we shift to a new path of sustainable, people-centred development, the proper function of money and finance will come to be seen as serving the needs of people and reflecting their values - including investing in the creation of social wealth and the conservation and restoration of environmental wealth. The objectives, the institutional structure, the control and the operation of mainstream monetary and financial activities will evolve in adaptation to that new perception of their function.

3. Social Investment as an **Important Feature** Conventional Economic Revival. This view falls between the other two, it recognises that national (and European) economic performance and competitiveness in a globalised economy will be seriously handicapped by the economic and social costs of poverty, exclusion and high unemployment, and also by the costs arising from inefficiency in natural resource use and high levels of pollution and waste. In this view, conventional economic success and the financial returns it brings continue to be seen as the goal. investment to reduce the social and environmental costs which prejudice that goal is seen as a necessary means towards it. Social investment is therefore seen, though in a supporting role, as an integral part of an efficient, globally competitive national or European economy.

I shall now say more about the second of these three views - the visionary, long-term, transformational view. Its perspectives will become more widely influential as time passes. However, we must recognise that, for the time being, most policy-makers, business leaders and economic advisers will not be able to accept it as a basis for policy. So I shall end by suggesting that, at least for the next year or two, the social investment agenda should focus on the practicalities of getting social investment established as an integral, though still supporting, element in mainstream economic policy. This will be a step forward from seeing it as only marginal and temporary. And it could be a transitional step-towards eventually seeing it as a central feature of a new people-centred economy of the future.

People-Centred Development and the Post-Modern Transition

people-centred development mean an approach development that enables people to develop themselves - in ways that preferably enlarge, and certainly do not diminish, the capacity of other people to do the same. I distinguish it from businesscentred, profit-centred, growth-centred, employer-centred or statecentred development, all of which can be hostile to development for people. But I do not see it as distinct from ecologically sustainable People-centred development development. and ecologically sustainable development are necessarily interdependent.

You can see them both as aspects of post-modern development. The modern age culminated in the impersonal structures of state socialism and financial capitalism - both very damaging to people and the Earth. The breakdown of state socialism does not mean the triumph of financial capitalism and "the end of history". On the contrary, the removal of the threat posed by state socialism has brought into sharper focus the unacceptable features of financial capitalism. We can now question more freely our subordination to business and financial markets (as well as to the state). We can now see more clearly the potential importance of civil society as distinct from both conventional big business and the state - civil society as a third sector in which citizens join together to act on behalf of themselves and other citizens.

There are many features of the post-modern transition that we cannot discuss here. The shift to a new post-European era in world history is one. The impact on literature and the arts is another. The breakdown of the modern ideas of scientific objectivity and the pursuit of certainty is yet another. But post-modern perspectives on work and money are directly relevant to our discussions today, and I shall say something about them.

A post-modern perspective on work recognises that a particular organisation of work is a basic feature of a particular kind of society. In ancient societies like classical Greece and Rome, most people worked as slaves for masters. In medieval European societies - feudal societies - most people worked as serfs for lords. In modern industrial societies, most people have worked as employees for employers. The work relationship has reflected the basic division of all those societies between a class of rulers and a class of ruled. But the division has softened at each stage.

Our vision of a post-modern society is of one in which the organisation of work no longer reflects a class division of that kind. Most people will no longer be expected to depend on employers to organise their work and provide their incomes. It will have become normal for people to work for themselves and one another, either as individuals or as members of self-managing groups and enterprises. The modern age of employment will have given way to the post-modern age of ownwork. From being employer-centred, work will have become people-centred. An important task for social investment during the transition to a post-modern society is to enlarge the opportunities for people-centred ways of working.

A post-modern perspective on money will recognise that money has played the dominating role in late modern society that religion played in the late Middle Ages.³ Then the local church was the most prominent building in most villages; today the prime sites in every high street are occupied by branches of banks, building societies and other financial concerns. The centres of medieval cities were dominated by cathedrals; today's city centres are dominated by the tower blocks of international banks. army of accountants, bankers, tax-people, insurance brokers, stock jobbers, foreign exchange dealers and countless other specialists in money, is the modern counterpart of the medieval army of priests, friars, monks, nuns, abbots and abbesses, pardoners, summoners and other specialists in religious procedures and practices. theologians of the late Middle Ages have their counterpart in the economists of the late industrial age. Then they argued about how to measure the space occupied by angels; now they argue about how to measure unemployment, the cost of living and the money supply.

At the time of the Protestant Reformation in 16th century Europe, the Church was experienced by increasing numbers of people as having lost its meaning, being out of control and operating in a thoroughly exploitative way. Just so, the money system is increasingly experienced around the world today as unreal, incomprehensible, unaccountable, exploitative, out of control. Why should people lose their houses and their jobs as a result of financial decisions taken in distant parts of the world? Why should

³ [1997 note. This paragraph also appeared in Chapter 7. I ask readers to forgive the repetition. To have omitted it in either place would have risked interrupting the argument.]

the international trading and financial system involve the systematic transfer of wealth from poor people to rich people? Why should someone in Singapore be able to gamble with our money on the Tokyo stock exchange and bring about the collapse of a bank in London? Why, when taking out a pension plan or a mortgage, should people have to rely on advice corrupted by the self-interest of the advisers? More and more of us are finding a financial system which works like this increasingly intolerable.

Some Post-Modern Prospects for Money and Finance

So what changes could the post-modern transition bring, in how we see money and how we deal with it? The following points will attract increasing attention.

Money brings power and responsibility. How we spend our money and invest our savings helps to shape our society and our world, by channelling resources in some directions rather than others. Ethical consumerism and ethical investment recognise that people have a responsibility to use their money power, if they can, to support what they think is right and not what they think is wrong, and thus to help to create the kind of society and the kind of world they would like to see. New banks and investment funds will continue to develop, and existing financial institutions will continue to develop new services, to help people to spend and invest their money in accord with their ethical values.

What is the money system for? How we spend and invest our own money is only part of the picture. It won't make much impact, if the monetary, banking and financial system as a whole works inefficiently or unfairly or corruptly. More and more people in the coming years are going to be asking what it is for. What functions do we need it to perform? The short answer, of course, is that we need it to enable us to carry out economic transactions with one another and provide ourselves and one another with greater security for the future. Money and finance do this by providing a system of linked accounts (and also cash in the form of metal and paper tokens). These enable people to transfer financial claims between one another, either in exchange for goods and services now or in exchange for other financial claims entitling us to goods and services in the future.

The money system should be designed and operated to perform that function efficiently and fairly. Since we need the money system as an accounting (or scoring, or information) system, we should now evolve it purposefully to operate well as such. It should operate primarily in the interest of those who need to use it, and not of those who manage it - as it does now.

Money has no external, objective value. Historically, our experience of money, and of the whole system of money and finance, is of something provided externally to us by kings and governments and financial institutions. Culturally, the tendency of the modern age supported by Adam Smith and other economists - has been to assume that money numbers (i.e. prices) should objectively reflect "real values". (There is a parallel here with the tendency of modern science to assume that numerical data objectively reflect real facts.) The post-modern perception of the world - and here there is a direct link with what it means for literature, the arts and science - is more subjective: to an important extent we create our own pluralistic realities. Just so, more and more of us will come to see money as an instrument developed by people for people's purposes. The idea will come to seem archaic and absurd that there could only be one kind of money - a single currency - at national or even European or perhaps eventually global level, and that monetary and banking experts - working like a priesthood or scientific elite whose arcane methods we cannot understand - should be entrusted with keeping money values in line with some kind of objectively existing numerical values out there.

The money system is ours. In this context Local Exchange Trading Systems (LETS), though in practice still very small, embody an insight of great importance: that money is essentially something we can create for ourselves to facilitate exchanges between us; and that, although we may need someone to manage and operate the money system for us as bankers now do, the system is ours - to be managed and operated on our behalf.

Why has the money system not been reformed already? The historical explanation for this is straightforward. The primary interest of the goldsmiths and bankers and government servants who have evolved the monetary, banking and financial system over the centuries, and the primary interest of the great majority of the bankers and other financial specialists who manage it today, has been to make money for themselves and their organisations, and their customers, shareholders and other associates. Nobody has

ever been responsible for seeing that the monetary, banking and financial system as a whole works efficiently and fairly for all its users.

Conclusions

The idea will become increasingly influential, I am sure, that social investment is one aspect of people-centred money and finance - and that people-centred money and finance are themselves an integral part of the people-centred development that will be a characteristic of the post-modern age. But, as I have said, these ideas are unlikely to be accepted as a basis for mainstream economic policy or theory in the immediate future. The main challenge, at least for the next year or two, will be to develop the practical implications of treating social investment as a continuing and necessary supportive element in conventional mainstream economic policy, rather than just as a matter of marginal or temporary concern.

This will mean securing greater support for a wide range of social investment activities and projects - from individual people, from the public sector at national and European level, from the national and international business and financial communities, from economic and social commentators, and from the media more generally. Moves in this direction are, in fact, already visible.

Let me mention a few recent ones that come immediately to mind:

- the merger of Mercury and Triodos Banks, to create a transnational social bank, and the launch of their new Wind Fund to enable people to invest in renewable energy developments;
- the launch of the Local Investment Fund by Business in the Community, as a partnership between the UK government and the private sector - to be managed by ICOF (Industrial Common Ownership Finance) and Lancashire Enterprises - as a pilot project towards developing a national network of community development loan funds;
- here, in Birmingham, the launch of the Aston Reinvestment Trust, - to channel socio-economic development funds into a deprived part of the city; and
- the growing support of local government authorities for banking and money services, like credit unions and even LETSystems, for people who tend to be ignored by the conventional banking system.

For the future we must look, not only to many further developments of this kind throughout Europe, but also to some of the more wideranging changes in public policy now being canvassed. For example,

- changes in taxation reducing the costs of peoples work by shifting the burden of taxes away from it and on to the use of energy and resources and pollution, thus encouraging investment in work-intensive activities and services;
- changes in social benefits using them as social investments, for example to enable people to build up their skills and earnings by working in community enterprises without the disincentive of being worse off through loss of benefits; and
- encouraging the introduction of parallel currencies at local as well as national and European level - to provide local means of exchange in support of local activities, while avoiding the risk of contributing to national inflation; (this approach entails a common European currency which people can use when they find it convenient, not a single European currency which everyone has to use on all occasions).

Most of the discussion at this conference will rightly be about the practical questions and problems of social investment as it is today. But I hope that, as background to the discussion, we will have in mind the longer-term perspective and the possibility that what today we have to call the social economy may one day become the mainstream economy of the future.

May 1995

CHAPTER 16. A NEW SOCIAL COMPACT

This chapter was published in *The Political Quarterly*, January/March, 1996. It was one of four contributions in that issue of the journal to a "debate" on the subject of Citizen's Income, arranged by the editor, David Marquand - the other contributors being Ronald Dore, Philippe van Parijs and A.B Atkinson. It is one of several articles I was writing for various journals about that time on the topic of tax reform and Citizen's Income.

Writing the *Resurgence* article reprinted in Chapter 13 above stimulated me to prepare similar evidence for the Labour Party's Commission on Social Justice¹ and then to research:

- Benefits And Taxes: A Radical Strategy, a discussion paper sponsored by the Environmental Research Trust and published in 1994 by the New Economics Foundation; and
- Electronics, Environment and Employment: Harnessing Private Gain To The Common Good, a paper commissioned by Sir Crispin Tickell, director of the Green College (Oxford) Centre on Environmental Policy and Understanding, and published in Futures, June 1995.

The *Political Quarterly* article reprinted here owes much to the work I had done on those longer papers.

January 1997.

¹ The Report of the Commission on Social Justice (the Borrie Commission) was published as *Social Justice*, by Vintage in November, 1994.

A NEW SOCIAL COMPACT Citizen's Income and Radical Tax Reform

For radical reform to happen, certain conditions are necessary. Enough people must find the existing state of affairs unacceptable. Enough people must share a vision of a better state of affairs. If enough people can also see how to move toward that better state in good order - by evolution, not revolution - then reform is well on the way.

In this article I discuss the proposal to introduce a citizen's Income, as part of a radical package of changes in today's systems of taxation and welfare benefits - changes which will reflect and embody a new social compact between citizen and society. There is already widespread awareness that changes are needed. The challenge is to create agreed understanding of the form they should take and of how they can be brought in over a period of time.

A Citizen's Income (CI) will be a tax-free income paid by the state to every man, woman and child as a right of citizenship. amount will be tied to the cost of living, but will be unaffected by a person's other income, wealth, work, gender or marital status. It will be age-related: higher for adults than for children, and higher for elderly people than "working-age" adults. CI for children will replace today's child benefit, and CI for the elderly will replace In principle, CI should replace all other today's state pensions. also allowances). In benefits (and tax supplements will be required to meet exceptional needs such as disability, and - at least for the foreseeable future - housing costs for low-income families.

Up to now, most CI supporters and researchers have assumed that CI would be financed out of income tax. But this would require excessively high levels of tax on all income other than CI - perhaps as high as 70%. And it is becoming increasingly clear that the prospect is for lower, not higher, levels of income tax in all industrialised countries. That is one reason, though not the only one, why proposals for CI have to be considered along with proposals for tax reform.

Radicals can claim a respectable pedigree for the approach discussed here. As Stephen Quilley has noted in a recent issue of *Citizen's Income Bulletin*, Tom Paine put forward an embryonic scheme to combine a citizen's income with a tax on land two

centuries ago. In 1797, in *Agrarian Justice*, Paine argued that every proprietor of land should pay a ground rent to the community. From the national fund so created, every person should be paid fifteen pounds on reaching twenty-one,

as a compensation, in part, for the loss of his or her inheritance by the introduction of landed property,

and every citizen over fifty should receive a pension of ten pounds a year. The proposals I discuss here are based on the same principle - of charging for the use of "commons", in the sense of common resources and values created by Nature or society at large, and of distributing a share of the revenue to all citizens as of right.

Present Problems And Recent Developments

Awareness in industrialised countries has been growing that our existing systems of taxes and welfare benefits are perverse - economically inefficient, socially unjust and divisive, and ecologically damaging.

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 waste of human resources and many social problems.

By contrast, the value which people subtract by using resources created by nature (such as energy and the environment's capacity to absorb pollution and waste) or by using values created by society (such as land values) is largely untaxed. This encourages inefficiency and waste in the use of natural resources. It allows private profit to be made from publicly created values (as, for example, the value of economically attractive city centre sites).²

So far as welfare benefits are concerned, not only is their total cost rising out of control. The present benefits system accentuates the perverse effects of the tax system. If people on benefit start earning income from work, they lose a corresponding amount of benefit. If, in addition, they have to pay national insurance

² [1997 note. For example, when the route to be taken by the new Jubilee Line as part of London's Underground was announced, the value of properties near it went up - without the owners of the land in question having done anything at all.]

contributions and possibly income tax as well, they can suffer an actual reduction in income. This provides a powerful incentive for unemployed people, even if they want to do useful work, to stay unemployed - trapped in exclusion and poverty.

The existing benefits system also discourages saving, because people with financial assets are ineligible for benefits. People who have carefully saved, especially out of low incomes, thereby disqualifying themselves from receiving benefits, resent seeing more spendthrift people enjoying them. Replacing means-tested benefits by CI would get rid of all these problems.

In the last few years, growing interest in "ecotaxes" to support a shift to environmentally sustainable development has not only brought out the arguments in favour of higher taxes on pollution and the use of energy and other resources. It has also highlighted arguments for using ecotaxes to replace existing taxes. Continuing high unemployment calls for taxes on employment to be reduced or abolished. The need to attract inward investment in an increasingly competitive global economy also calls for lower taxes on employment, incomes and profits. And, as populations continue to age, it will become socially more divisive to tax the incomes of fewer people of working age, in order to provide pensions and care for the growing number of the elderly.

Economic studies in Germany, USA and Switzerland, as well as UK - and policy statements by the European Commission - are making it clear that, quite apart from the environmental and social gains, the replacement of existing taxes by new ecotaxes - shifting taxation off "goods" on to "bads" - can provide a double economic dividend. On the one hand, it reduces the distortionary effects of existing taxes. On the other, it provides financial incentives to use natural resources more efficiently.

Among recent studies particularly relevant to the linking of CI with ecotax reform is one that examined the effects of introducing an energy tax and returning the revenue from it partly to firms as a reduction in employers' social insurance contributions (in effect a reduction of tax on employment) and partly to private households as an "ecobonus" (in effect a small Citizen's Income). It concluded that this would have positive economic effects, be conducive to employment, would not endanger national (German) competitiveness, would be progressive in the sense of reducing the net tax burden for households with low incomes, and could be

introduced in one country without transgressing European Union rules. Another "ecobonus" study (from Switzerland) concluded that, if the revenue raised from a levy of 2 Swiss francs per litre of petrol was distributed among all adults, people who drove less than 7,000 kilometres a year would benefit and people who drove more would lose.

Arguments For Comprehensive Reform

A danger to be avoided, as the need for changes in existing taxes and benefits becomes more widely accepted, will be that changes may proliferate piecemeal, promoted by different government departments separately responsible for employment, welfare, environment, economic competitiveness, and public revenues and expenditures - with no overall strategy for the development of the combined system of taxes and benefits as a whole. proliferation of new overlapping taxes and charges, tax rebates and benefit provisions, would be burdensome and confusing. It would be likely to create a succession of political problems when, like VAT on household fuel, particular changes were seen as targeted at particular sections of society. A more comprehensive approach is needed, based on a small number of major taxes and benefits applied "upstream", universal in their impact, clearly not targeting one section of society rather than another, and systematically designed to provide incentives throughout all aspects of economic life, that will encourage activities that add value and discourage activities that subtract it.

The shape of such a comprehensive reform package, to be phased in over a period of ten to twenty years, can be outlined as follows. It would include:

- phasing out taxes on incomes (including social insurance contributions), profits and value added - and perhaps eventually also taxes on financial capital;
- replacing them with taxes and charges on the use of natural and social sources of wealth, including taxes on:
 - fossil-fuel and nuclear energy at source,
 - the rental site value of land (on the lines originally advocated by Tom Paine and, in much greater depth a century later, by the American economist Henry George), and
 - the use of other common resources such as the capacity of the environment to absorb pollution and waste; and

 phasing in a Citizen's Income, paid to all citizens as of right, which would replace existing tax allowances and many existing social benefits.

By transforming the bulk of today's welfare payments into payments reflecting each citizen's entitlement to a share in the value of common resources, this package of reforms would address one of the root causes of economic and social inequality - underlying the more immediate causes of unemployment, poverty and social exclusion. This is that citizens do not now enjoy an equal share of those common resources and values. Many enjoy much less, and others much more, than their fair share.

The international application of the same principle has been urged by some Third World advocates, who argue that what is now regarded as aid should be transformed into payments reflecting the entitlement of every world citizen to a fair share of the value of the world's common resources, including the global atmosphere's capacity to absorb pollution. Each nation, for example, should pay pro rata for its emissions of carbon dioxide, and the revenue should be recycled to nations on a per capita basis - reflecting the size of their populations.

Returning to the national level, there are a number of specific arguments, in addition to those already mentioned, for a reform package on these lines. They concern: universality of treatment; easier access to housing and land for people now priced out of them; improved opportunities for useful work of all kinds; less volatile economic cycles, with the peaks and troughs smoothed out; and encouragement to greater local economic and social self-reliance. One point in particular must be emphasised. It concerns the distributive effects of the proposed changes.

Ecotax reform, if limited to replacing taxes on employment, incomes and profits with environmental taxes and charges, will be regressive, in the sense of hitting poorer people relatively harder than richer ones. For example, non-taxpayers will gain nothing from reduction or abolition of income tax; and since poorer people spend a larger proportion of their income on household energy than richer ones, a high level of tax on energy will tend to hit them harder. The same goes for other environmental charges, e.g. charges imposed on vehicles in cities in order to reduce urban traffic congestion. These regressive effects will have to be corrected. This is an important reason for combining land-rent taxation and

Citizen's Income with ecotax reform. The land tax will tend to raise the housing costs of richer people and reduce the income they derive from rental values - in the form of salaries and other earnings, dividends, interest, rents, and capital appreciation - relatively more than the housing costs and incomes of poorer people. And the Citizen's Income will be worth relatively more to poorer people.

A New Social Compact

So much for the main components of the reform package needed to deal with the growing problems of the present taxation and benefits systems. What vision does the package reflect?

The vision is of a people-centred society - less employer-centred and state-centred than today. Its citizens, more equal with one another in esteem, capability and material conditions of life than now, would all be entitled to their fair share in the common resources and values created by Nature and society as a whole.

It would be a society:

- which rewards people not taxes them for the useful work that they and their organisations do, for the value they add, for 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 the use 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.

While citizens of such a society would find it easier to get paid work, they would no longer be as dependent as they are now on employers to provide them with incomes and organise work for them. The modern class division between employers and employees would fade - as the old master/slave and lord/serf relationships of ancient and medieval societies have faded. It would become normal for people to work for themselves and one another. It would become a central aim of public policy to enable people to manage their own working lives.

The social compact of the employment age is now breaking down. The time is passing when the great majority of citizens, excluded

from access to the means of production on their own account and of common resources and values, their share nevertheless depend on employers to provide them with adequate incomes in exchange for work, and on the state for special benefit them through exceptional payments see periods to unemployment. A new, post-modern social compact must take its place, which will encourage all citizens to take greater responsibility for themselves and the contribution they owe to society. exchange, it will recognise their right to their share of the "commons" and so enable them to become less dependent than they are today on employers and officials of the state.

I am not suggesting that a radical reform of today's tax and benefit structures is the only thing needed to establish this new social compact. But it certainly has a key part to play.

January 1996

EPILOGUE

There is no tidy rounding off or neat ending. But let us briefly take stock.

The vision of a future that fosters self-reliance and enables people to develop themselves has been voiced by increasing numbers of like-minded men and women over the past twenty years. It now influences mainstream thinking and mainstream agendas to some extent.

There has been a decline in confidence in conventional approaches to the worldwide problems of poverty, unemployment, social breakdown and ecological destruction. Public opinion is becoming increasingly sceptical about the capacity of governments and other established institutions to deal with these problems. Non-governmental organisations (NGOs) and people's movements around the world are campaigning with increasing vigour for alternatives. Political rhetoric, on the Left now as well as on the Right, favours policies that will foster self-reliance, not reinforce dependency.

But there is still no general understanding that the basic questions are: What kind of society, and what kind of world, do we want? Do we want a society that fosters self-reliance and equality, or one that reinforces dependency? In deciding what to do or whether a particular initiative is a good one, it still is not generally accepted that the touchstone is: How can the people involved in this problem acquire the capacity to deal with it for themselves? and, Will this initiative empower all the people affected by it to become more self-reliant?

Nor is it yet widely understood that a principal cause of dependency - and of the poverty, unemployment, social exclusion and environmental damage which it causes - has been the "enclosure" by rich and powerful people and organisations of more than their fair share of common resources and values, and the exclusion of the majority of people from them. The enclosure of land and the consequent conversion of peasants into paid labourers (see Chapter

¹ For example, *The Politics Of The Real World*, Earthscan 1996 (written by Michael Jacobs), is a statement of concern by over thirty of the UK's leading voluntary and campaigning organisations.

4) was a key feature of the early stage of modern economic development, and the same process still continues in "developing" countries today. Reversing the effects of enclosure will, as suggested in Chapter 16, be a key feature of post-modern liberation from dependency. No longer will arguments of logic or justice be found, only selfish arguments, for allowing some people to continue enjoying much more than their fair share of the commons without paying for it. The demands of economic efficiency, social cohesion, environmental sustainability and quality of life - as well as fairness and justice - will all be seen to require an end to the private enclosure of common resources.²

Some relevant measures - the replacement of taxes on employment by environmental taxes, the reduction of taxes on income, and the need to rationalise social benefits - are already on the agenda at the European level and in European nations. But they still have to be understood as potential steps towards recognising the following rights for all citizens:

- first (in the form of a Citizen's Income), the right to an equal share in the commons created by nature or society at large, and
- second (by ceasing to tax employment, incomes and value added), the right to enjoy to the full the values people themselves create by their own work and skill and enterprise.³

That is one of the issues on which my thinking has developed over this twenty-year span, as I have sought to work through various implications of a systemic, worldwide shift from dependency to self-reliance. There are two other topics - reform of institutional structures and the pace of change - on which I should make some concluding comments.

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themselves.

² The psychological and sociocultural factors that lead to some people seeking dominance and others being content with dependence must not be ignored, of course. But they are hugely reinforced if - by excluding the majority of citizens and nations from their share of the commons - national and global institutions make them dependent for their livelihoods on people and organisations and nations richer and stronger than

³ The first of these rights will modify the right to unlimited accumulation of property at the cost of depriving other people of their rightful share of the "goods of nature". John Locke argued for that right in the 17th century, and it has underpinned modern free-market capitalism. The first and second of the two new rights in combination will help to strengthen, in a post-Marxist world, the ability of workers to claim their right to share in the "surplus value,, which their work creates.

Institutional Change

As an energetic institutional reformer in the 1960s and early 1970s, 4 I had come to see that, without more citizen involvement, reform was always likely to be too little and too late, and often misconceived. Existing leaders whose powers and influence, skills and self-esteem, are linked to today's ways of life and thought and organisation, are strongly motivated to ignore and conceal the need for radical change and to discourage serious practical study and discussion about the form it should take. Even when the need for some change is accepted, reform remains largely an insiders' game, in which the minority section of the population that operates within the superstructure - politicians, top industrialists and financiers, government officials and other professionals and careerists the ongoing competition amongst promotion and influence and power over the rest of society. reform tends to happen only when it is long overdue, and then in a hurry, in an atmosphere of intrigue, and without full public understanding of what is involved.

So I was ready to see that, instead of shuffling institutional functions around, a more important and more fundamental question was: How, as citizens, can we liberate ourselves from our present degree of dependency on the institutional superstructure as a whole? The enthusiasm with which I embraced this new insight gave some readers and listeners the impression, in the later 1970s and early 1980s, that I thought the post-industrial revolution would come about by people doing their own thing, without regard to the need for action to bring about changes in society's institutions. If the earlier chapters of this book justify this impression, it needs to be corrected.

The post-industrial, post-modern revolution will involve change across the whole spectrum of economic, social and political life. People's lifestyles and work; technologies; the built environment and transport; education; the institutional structures of business and government; money and finance, including taxes and benefits; ideas and theories about economics and politics and society; ethical and spiritual values - all these are bound up with one another. The scope for change in any is limited by absence of change in others.

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⁴ James Robertson: *Reform of British Central Government:* Chatto & Windus and Charles Knight, 1971.

For example, the scope for people to change to more self-reliant forms of work is limited so long as the social welfare system refuses benefits to unemployed people unless they seek an employer to give them a job; and the scope for people to reduce their dependence on cars is limited, so long as the pattern of the built environment (e.g. the location of shops), the absence of good public transport, and the comparatively low price of petrol and diesel, make it cheaper and more convenient for most people to own and use cars if they can.

So the important question is not whether change is needed in the established institutional framework of society. The answer to that question is obvious. Our institutions are crying out for change. A society's institutions, such as its system of taxes and benefits, encourage certain kinds of behaviours and activities and discourage others. One feature of a good society is that its institutions are designed to make the better choice the easier choice for its citizens. In other words, the institutions of a good society in the post-modern age will encourage activities and behaviours, attitudes and dispositions, that contribute to equitable, sustainable, self-reliant development, and discourage those which do not.

The important question is how these institutional changes are to be brought about. And here there is a serious problem. On the one hand, most of the practising expert insiders - in the taxes and benefits system or any other particular institution or complex of institutions and policies - will tend to resist change and mystify the whole topic. On the other hand, non-expert outsiders, even if they know that existing institutional structures and policies have perverse effects, will often lack the time and energy, and the commitment and confidence, to campaign effectively for change. The readiness of many Church people to accept the economic values of business and finance, even when these are obviously contrary to ethical and spiritual values, is a case in point. And most people who want to resist particular instances of social or environmental damage or to change particular aspects of the world for the better, find it easier to focus on specific issues - resisting a motorway, supporting organic food and farming, or joining a local LETS, for example - than on campaigning for systemic changes in the institutional circuitry of society to make it more favourable to those concerns.

Accepting both those sides of the picture, the evidence still points to the conclusion that - difficulties though there may be - the initiative

for institutional and policy change, and much of the groundwork and energy needed to get radical new proposals on to mainstream agendas, must come primarily from independent citizens outside the system. There is an important role for exceptional people inside the political parties, government, business, finance and the whole range of professional and academic walks of life, who see that change is necessary and begin to prepare themselves and their institutions to respond to pressures for it. But the actual pressures must come from active, committed citizens outside. It is they who have to provide the motor force for the changes that will liberate people from crippling dependence on institutions.

The Pace of Change

In some parts of this book readers may have detected a tendency to overoptimism about the pace of change.

It is probably inevitable that change normally comes more slowly than expected by those who want it and see why it must come. In 1960 I travelled with the Prime Minister, Harold Macmillan, on his "Wind of Change" tour of Africa. As Macmillan spoke to the South African Parliament in Cape Town about the wind of change that was blowing through Africa, I would not have believed it would be thirty years before liberation from apartheid began to lead South Africa along its new path of democratic, multi-racial development. And in the past twenty years I admit I have hoped for faster progress than has actually been achieved in the worldwide process of post-industrial, post-modern liberation and decolonisation discussed in the various chapters of this book.

But two points are pertinent. First, putting out these ideas and proposals for replacing dependency with self-reliance, is not about predicting when they may come to fruition, but about communicating the need and the possibility to act on them. A more academic approach might have predicted they would take a long time to build up momentum. But the current human predicament demands that pessimism of the intellect be overridden by optimism of the will.

Second, although change may come more slowly than its supporters hope, it often comes more quickly than conventional wisdom and mainstream opinion foresee. The collapse of communism in 1989 is one case in point. Another is a more personal memory of my own.

In 1956 I suggested that we should start looking forward to Kenya's eventual independence, and begin to train African Kenyans for judicial and administrative posts. My Colonial Office superiors patted me on the head - "this is just the kind of forward thinking we want from you young chaps" - but assured me that, in fact, it would be at least another twenty years before the question would arise. Less than five years later the new Colonial Secretary, Iain Macleod, announced the forthcoming independence of Kenya.

The post-industrial, post-modern breakthrough may prove not to be so far off as it sometimes seems.

In Conclusion

My hope is that, during the few years on either side of the Year 2000, the need to change to a new direction of progress - enabling for people and conserving for the Earth - will become much more widely accepted. The issues discussed in the lectures and papers reprinted here will attract increasing attention and understanding. Recognition will spread that a historical transition of the first magnitude is upon us, and that its impact will be comparable in scope with the change from the European middle ages to the modern era some five hundred years ago. But this time there will be two important differences. The impact will be worldwide from the start, and one of the possible outcomes could be catastrophe for the human species as a whole.

As this awareness grows, more and more attention will be given to the practicalities of change. Particular attention will focus on the obstacles to it, and how they can be removed or by-passed. But that is a topic for another time.

January 1997

P.S. Some promising developments have taken place this year.

A New Labour Government has been elected in Britain. One of its declared aims is to help the poor and excluded sections of society to escape the culture of dependency.

Throughout Europe, doubts have been growing whether European Monetary Union in the form of a *single* European currency can and should go ahead on the planned timetable. An obvious fall-back position would be to encourage the evolution of the existing ecu into a *common* means of exchange (alongside existing currencies) for those who wish to use it. This could help to open the way to a multi-level system of co-existing currencies, including local ones in due course.

At the request of the Forward Studies Unit of the European Commission in Brussels, I have provided it with a 122-page Briefing for Policy Makers on "The New Economics of Sustainable Development".

As an optimist, I am tempted to see developments like these as signs that change towards a more people-centred, less dependency-reinforcing direction of progress may not be too far away. As a realist, I know it would be foolish to take this for granted.

August 1997