

FUTURE WEALTH: A NEW ECONOMICS FOR THE 21ST CENTURY

by

James Robertson

Section 1

This section includes the Contents page, the Introduction and Chapters 1 to 5.

Sections 2 and 3 containing all the other chapters can be downloaded from www.jamesrobertson.com/books.htm

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Future Wealth

A New Economics for the 21st Century

James Robertson

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Please note:

This book was written sixteen years ago. Many of the addresses of people and organizations, and in some cases the names of organizations, have changed since then. For the sake of historical accuracy I have kept the references to them as they were originally published. In most cases up-to-date information about them will be found on their websites.

James Robertson, December 2005

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Introduction

"I believe myself to be writing a book on economic theory which will largely revolutionise—not, I suppose, at once but in the course of the next ten years—the way the world thinks about economic problems." Writing to George Bernard Shaw in 1935, John Maynard Keynes overestimated the long-term effect of *The General Theory of Employment, Interest and Money*.¹ As the end of the century comes nearer, the need to revolutionize the way the world thinks about economics and organizes economic life is greater than ever before. We need a new economic order for the 21st century.

This new economic order must be geared to the real needs of people and the Earth. It must be both enabling and conserving. It must restore to the word "wealth" its original meaning of wellbeing. It must harmonize economy with ecology, in accordance with the proper meanings of these words—as the management and the science of our earthly home. It must accept that the era of "the wealth of nations" is past, and treat the 21st-century economy as a multilevel one-world economy.

Transforming the complex of economic behaviour and thought which makes up today's economic order into this new one will be a process of transformation more comprehensive and fundamental than that which Keynes had in mind. It will go beyond economics as economics is conventionally understood. It will go beyond the conventional horizons of capitalism, socialism and the mixed economy. It is, in fact, a process already well begun. It started fifteen or twenty years ago,² and its roots go back much further.³ It has begun to accelerate in the last few years as the urgency for it has become more widely apparent.

During these last few years increasing numbers of people in many countries have been joining together in this endeavour to transform economic life and thought. This book is for them and for the many more who are coming to accept the need for a new 21st-century economic order for people and the Earth, or are open to the idea. When I refer to "we" and "us", I have such people in mind. The book's purpose is to help us to see what we should be aiming to do during the 1990s to hasten and smooth the transition to this new economic order.

This worldwide process of economic transformation cannot, clearly, be completed in ten years' time. It is not the kind of process that can ever be finally completed. We are not engaged in trying to define an ideal economic system, in the hope of eventually being able to achieve it permanently for the rest of time, let alone the hope of bringing a fully fledged Utopia into existence by the Year 2000. We are engaged in changing the direction of economic development and thought, establishing new principles of economic organisation and practice, and stepping up the momentum of change through the 1990s, so that—by the time the Year 2000 arrives—we shall be more or less firmly on course towards a new way of organizing and understanding economic life in the 21st century.

The fourteen chapters of the book fall broadly into five parts.

The first three chapters are about the need for this transformation and its scale and nature, and about getting these more widely understood and acted on in the early 1990s. Chapters 4 to 8 are about the main structural components of the one-world economy—people and their household economies, places and their local economies, national economies, the world economy as a whole, and the organizations operating in these various spheres. Taken together, these chapters outline an evolving structure for the world economy which will reorientate all its component parts towards a more self-reliant and conserving path, and in which a primary function of each larger unit will be to enable the smaller units it contains—e.g. localities within a nation and households within a locality—to be more self-reliant and conserving.

Chapters 9 to 12 are about money, around which so much, though not all, of economic life revolves. They suggest changes in the monetary and financial systems of the world and in our understanding of them, which will make money our servant and not our master. They outline how money could become a fairer and more efficient means for people to conduct transactions with one another in an enabling and conserving economy. They suggest the need to reorientate economic life away from its present emphasis on money, for example as regards what we tax (like incomes) and what we measure (like money-based Gross National Product), towards the real economy, including real resources and the real state of existence of people and the Earth. They point to the probability of a world financial collapse before the end of the century. They compare this reorientation towards real life and away from the abstractions of organized money which is needed now, with

the one that took place at the time of the Reformation away from the abstractions of organized religion.

Chapter 13 briefly suggests how the principles of an enabling and conserving one-world economy apply to particular fields of activity or aspects of life. As examples it takes: work; technology and industry; energy; food and agriculture; transport, housing and planning; information and communication; health; education, leisure, and the arts; international peace and security; and science, philosophy and religion.

Finally, Chapter 14 outlines a programme for the 1990s, with key stages in 1992 and 1994/95.

I hope that those who read the book and use it will find it a helpful guide. I hope they will also treat it as provisional. Indeed, I very much hope they will help to make it so, both by their positive actions out in the world and by suggesting to me how it could be made more useful. Ideally, I would like to see it, or at least an expanded final chapter, updated and republished in about 1993 as a guide and stimulus to further progress, and again updated and republished in about 1996.

For those who already know my work, this book builds on past exchanges of information and ideas through the *Turning Point* newsletter,⁴ and on my previous books—*Future Work* (1985), *The Sane Alternative* (1978), and their predecessors.⁵ It is about creating an economy for person, society and planet—in other words, an economy for the sane, humane, ecological (SHE) future, as opposed to the Hyper-Expansionist (HE) future, discussed in those two books. It particularly reflects my involvement in The Other Economic Summit (TOES) and the New Economics Foundation.⁶

In fact, in the summer of 1986, it was my hope that, following the first three years of TOES and the setting up of the New Economics Foundation, those bodies would be in a position to put in hand the preparation of a new economics strategy for the 1990s. It was a disappointment that it did not happen that way. But, although TOES and the New Economics Foundation should not necessarily be assumed to be behind every idea or proposal that I am putting forward, I very much hope nonetheless that the book will help them and other groups and organizations like them, in other countries as well as Britain, to take forward their indispensable work through the 1990s. I also hope it will encourage people to support them.

Over the years I have been helped in so many ways by so many people, including colleagues in TOES and the New Economics Foundation, that it would be impossible to acknowledge my debt to them all and invidious to thank only a few. Some are named in the course of the book, and many more in *The Sane Alternative* and *Future Work*. But I must again acknowledge my debt to my wife, Alison Pritchard. She has been involved, not just in the writing of this book and reducing some of its faults, but in all the activities that have led up to it—not to mention the stresses and strains that work of this kind sometimes imposes on life at home. I am immeasurably grateful to her.

Notes and References

1. Quoted in Michael Stewart, *Keynes And After*, Penguin, 1967.
2. E.J. Mishan, *The Costs of Economic Growth*, Penguin, 1967, and E.F. Schumacher, *Small Is Beautiful*, Blond and Briggs, 1973, were among those voicing the unease about growthmania which surfaced in the late sixties and early seventies.
3. In Britain they include Ruskin and William Morris in the nineteenth century, and the Distributists in the early twentieth century.
4. The *Turning Point* newsletter was issued twice yearly from 1976 to 1987 by Alison Pritchard and James Robertson (The Old Bakehouse, Cholsey, Oxfordshire OX10 9NU, England) to an international network of people who share a perception that humankind is at a turning point, that old values, old lifestyles, and old systems of society are breaking down, and that new ones must be helped to break through. From September 1989 it is being issued as *Turning Point 2000* with a sharper focus on the 1990s.
5. Details are as follows:
Future Work: Jobs, Self-Employment and Leisure after the Industrial Age, Gower/Temple Smith, 1985.
The Sane Alternative: A Choice of Futures, Robertson (revised edition), 1983.
Power, Money and Sex: Towards a New Social Balance, Marion Boyars, 1976.
Profit or People? The New Social Role of Money, Calder and Boyars, 1974.
Reform of British Central Government, Chatto&Windus/Charles Knight, 1971.
6. Paul Ekins (ed.). *The Living Economy*, Routledge and Kegan Paul, 1986, is based on papers given at the first two TOES meetings in 1984 and 1985. Also see the Appendix.

1

Changing Direction

In the early 1990s we must aim to get it firmly established in the public mind worldwide that the present path of economic development is leading the world to catastrophe, and that this is directly connected with the underlying assumptions and imperatives of conventional economics.

We must get it widely accepted that a change of direction is both necessary and possible, to a new path of economic development for the twenty-first century. The main features of this new development path are discussed in later chapters. In brief:

- it should be systematically enabling for people;
- it should be systematically conserving of resources and environment;
- it should treat the world's economy as a multi-level one-world system, with autonomous but interdependent parts at all levels;
- it should be supported by up-to-date economic ideas.

If this transition to a new economic order for the twenty-first century is to be successfully achieved, the nature of the process—and particularly its links with political change and changes in the structures of power—needs to be widely understood. This is another aspect of what we must aim to do in the early 1990s.

Avoiding Catastrophe

The world's present path of economic development is damaging to both people and the Earth. It is leading the world towards catastrophe. More and more people understand this. An important task for the early 1990s is to make sure that politicians and government policy-makers, business leaders and financiers, professionals and organizational people of all kinds, are not allowed to obscure or forget the following facts.

The 1980s have increased the amount of human poverty and misery in the world, and ecological disaster now threatens. Many people know that today's rates of tropical deforestation, spread of acid rain and other forms of air and water pollution, soil erosion and the advance of deserts, climatic change from the greenhouse effect, depletion of the ozone layer, and mass extinction of species, are unsustainable. By the year 2000, if present trends continue, one third of the world's productive land will have turned to dust, one million species will be extinct, and the world's climate will be irreparably changed. The terrible famines in Africa are just the most striking among many symptoms of the growing sickness of people and the Earth, the devastating long-term effects of which are just beginning to become apparent.

This damage is being done by a world population that is now just over 5 billion. Of these 5 billion people, about a quarter live in the so-called "developed" countries and the other three-quarters in "developing" countries. Per capita, the quarter who live in developed countries consume far more than the three quarters in the developing countries—15 times as much paper, 10 times as much steel, and 12 times as much energy. The consumption of energy by the 750 million people in the richest countries—the industrial market economies of Western Europe, North America and Japan—is actually 17 times as high per capita as that of the 2,500 million people in the lowest income countries. So, even with a stationary world population, if consumption in poor countries were brought up to present rich-country levels this would multiply today's ecological impacts something like ten times over. And world population will not remain stationary. By the Year 2000 it is projected to rise to 6.1 billion and by 2025 to 8.2 billion. Thereafter, it is not expected to stabilize below 10.2 billion on some projections and 14.2 billion on others—twice or three times what it is today. For today's rich-country consumption levels to be achieved by the whole of a world population of that size would mean multiplying today's ecological impacts some twenty or thirty times over.'

Anyone who thinks this is remotely possible is living in cloud-cuckoo land. So is anyone who believes that the present polarization of the world's population between a wastefully affluent minority and a very much poorer majority can be indefinitely sustained.

Although awareness that the world is on course to catastrophe has been growing rapidly in recent years, the dominant thrust of conventional economic development offers no solution. Quite the reverse. Modern communications, especially television, are hooking the rising population of the world more and more firmly on the consumerist values propagated by rich-country businesses and governments. This is evident throughout the non-socialist Third World. Even in the socialist economies of the Soviet Union and Eastern Europe—and China too before the terrible events of June 1989—recent economic reforms leave it doubtful whether the switch being

attempted is towards a genuinely new path of development or merely to one based on the consumerist example of the market economies of the industrialized West. Meanwhile, as the richest countries have been gearing themselves up to drive still further along the conventional path of economic growth—this being, for example, the stated purpose of the single European market in 1992 and the 1988 Free Trade Treaty between Canada and the USA—the wealth gap grows wider between rich countries and poor, and between rich people and poor people within each country.

A top priority for the early 1990s is to get it firmly established in the public mind worldwide that this whole process is sinfully shortsighted, and that human beings are capable of something better.

An important aspect of this will be to destroy once and for all the notion that economic growth, as conventionally measured and understood, is synonymous with economic and social progress or prerequisite to it. If continued economic growth involves the continued growth of human poverty and dependency, and the continued growth of environmental destruction, then it is bad -unequivocally. If it means technically, as it actually does, the continued growth of the total value of monetary transactions in the economy, then it may or may not be good or bad—depending on who is paying whom how much to do what. But to aim to achieve it for its own sake is, at best, to mistake the shadow for the substance. It was a shame that the Brundtland Commission whose report, *Our Common Future*, contained so much valuable and sensible analysis of the problems now facing humanity, felt it necessary to go along with the call for a new era of economic growth.² Its contribution to understanding is consequently much more limited than it might otherwise have been.

A Historic Watershed

Another important task for the early 1990s is to get it understood that these potentially catastrophic developments throughout the world economy stem directly from the basic tendencies and assumptions of conventional economic practice and thought. These basic tendencies and assumptions include:

- the tendency to create and reinforce economic dependency for people, localities and nations;
- the tendency to be wasteful of natural resources and damaging to the natural environment;
- the assumption that economics is about the wealth of nations, and that the paramount unit for economic policy-making must be the nation state.

These key features of the present economic order go back to the 17th and 18th centuries. Modern economic development began with the deliberate creation of dependency, when the common people were pushed off the land, excluded from their subsistence way of life, and made dependent on paid labour. Modern economic thinking had its roots in the perceptions of the English philosophers Bacon and Hobbes—of nature as a limitless resource to be exploited for "the relief of the inconveniences of man's estate", of wealth as power to command other people's labour, and of human life as an incessant competitive struggle for power.

When Adam Smith came to analyse the workings of the economy of his day he followed Bacon's and Hobbes' perceptions of "man" and nature and society. In emphasizing the impersonal role of the market—its invisible hand—and in excluding moral considerations from his analysis of economic life, he was following Newton's example of value-free system-building in the sciences. That Smith also emphasized the wealth of nations, rather than the wealth of people or cities or the world, that he took material production and consumption as the essence of economic life, and that he focused exclusively on activities accompanied by monetary exchange, reflected the most notable economic phenomena of his own time: the struggles between European nations to dominate overseas trade; the astonishing growth of industrial production; and the unprecedented division of labour that accompanied it.

Smith's historical significance was that he articulated a new way of looking at economic life. He thus helped to crystallize a new economic order in place of the vanished medieval economic system which had been conceptually based on the rights and obligations of a divinely sanctioned, static, hierarchical society. That gives a measure of our task today. For the time has come again, as it had in Adam Smith's day, to crystallize a new economic order in place of that which is now failing. The new economic order needed now will be one that reflects the needs and realities of a 21st-century world as far removed from Smith's as his was from the middle ages.

Through the Boredom Barrier

In seeking to steer 21st-century economic development in a new direction, we must recognize an important fact. For many good and sensible people the economy and the "dismal science" of economics have become so abstract and technical, so much the province of supposed experts, and—in a word—so boring, that they have given up trying to make sense of them. The result is that comparatively few people—apart from people with obvious commercial or political axes to grind—have taken a sustained and purposeful interest in the need for fundamental economic change. There have been more comprehensible, rewarding and obviously urgent causes to claim people's support, such as the immediate relief of disaster, poverty and famine, and the conservation of wildlife.

We need to recognize this. But we should not be put off by it. In the last few years, active supporters of many of these more specific, more immediately urgent causes have become aware that today's economic order stands in the way of what they are working for and is at the root of many of the problems they face. It is, after all, the prime cause of ecological disaster, poverty and famine, and the destruction of wildlife.

Growing numbers of social and environmental activists and their supporters and sympathizers now recognize that economics as conventionally understood is not an objective science which must be accepted on its own terms, but an unsound way of thinking that mystifies and distorts both the reality and the morality of people's behaviour towards one another and the natural world. They have learned by experience that economic orthodoxy of whatever variety—capitalist, socialist or a mixture of the two—damages what they care about and systematically obstructs what they are trying to do.

I am thinking of people who support organizations like Oxfam, Christian Aid and the World Development Movement, working to relieve poverty and famine and to help with economic progress in the Third World; like the Worldwide Fund for Nature (WWF), Greenpeace and Friends of the Earth, working to conserve the natural world and the environment; like Schumacher's Intermediate Technology Development Group, working to develop environmentally safe, people-friendly technologies; like the United Nations Association, working to develop effective forms of government for a one-world human community; like the Quakers and other religious groups, working for social and economic justice; like Survival International, working to protect threatened tribal and indigenous peoples in many parts of the world; like the Soil Association and Compassion in World Farming, working for humane and ecologically safe farming methods; and people with countless equally vital concerns in fields such as health, food, poverty, unemployment, housing, education, co-operatives, inner cities, the countryside, the rights of women and ethnic minorities, peace and disarmament, and many more.

Supporters of causes like these and many others, as well as millions of people in their day-to-day lives, find themselves thwarted by the perverse drives and imperatives of conventional economics. They have been learning by experience that, although they are working in a wide variety of different fields and different ways, in one important respect they belong to a single worldwide community of people and organizations, movements and groups. They all share a common interest in changing the practices, policies, assumptions and imperatives of conventional economics.

So another urgent task for the early 1990s is to break through the boredom barrier surrounding economics, and to develop a common framework of understanding and action for change. The aim must be to help many different people, including social and environmental activists and their supporters in many different fields, to see how—without centralized coordination—they can reinforce one another's efforts to create a new economic order less damaging to their concerns than the one that now exists.³

The Dynamics of Change

The transformation of today's economic order into a new one will be a process of great magnitude and complexity. Another task for the early 1990s will be to generate widespread understanding—not of all the details of this process and all the cross-links between them, which would be beyond any single human mind—but understanding of what sort of a process it will be, what it will involve, what dangers it will throw up, and how these should be dealt with.

To start with, we shall need to recognize that innumerable cross-cutting conflicts of interest and judgement will arise between those who are pressing for change or see the necessity for it, and those who are resisting it or don't. Those who oppose one another on some issues will support one another on others. It will not be necessary for people to pretend they agree with one another on everything, like party politicians subscribing to a manifesto, before they can cooperate with one another on anything.

In support of change there will be both negative and positive factors. In terms of events and happenings, negative factors will include growing evidence of social and environmental degradation and disastrous incidents like Chernobyl, which heighten awareness of the dangers of conventional economic development. Positive factors will include many successful real-life examples of enabling and conserving initiatives, such as self-build housing schemes, poor people's banks, and energy conservation schemes. In terms of ideas, the negative side will include critical exposures of the inadequacies and absurdities of conventional economic practice and thought. The positive side will include ideas that clarify and illuminate the scope for a new enabling and conserving approach, and inspire people to commit themselves to it.

In terms of action, many different kinds of effective action will make their contribution:

- at different levels—personal, local, national and international;
- of different types—through practical initiatives, through political and governmental processes, through the exercise of economic choice, and through information and communication, research and studies, campaigns and lobbying, conferences and publications, stunts and demonstrations; and

- with different organizational strategies—through existing organizations, by creating new ones, or by working independently of organizations altogether.

One aspect of the complexity of the transformation process lies in the cross-links between these various different forms of action. While it would be impossible to envisage a single co-ordinated campaign embracing them all, we need to recognize how they can all help to reinforce each others' effect on any particular issue.

Another aspect of this complexity is the fact that we now have to understand the world's economy as a single system, consisting of literally billions of subsystems. These include individual persons and households and many different kinds of organizations and enterprises, concerned with all manner of activities, operating at local, national and international levels. Actions by any one of them tend to affect all the others to a greater or lesser extent. But it is not possible to examine them all at the same time. Nor is it very useful to put forward universal conclusions of a general nature—such as that all economic problems could be solved if we all learned to love one another. We have to reconcile the conceptual need to understand the system as a whole with the practical need to change particular aspects of it and to show what particular actions will move things in the right direction.

This means that we have to deal with things in manageable chunks, while at the same time taking account of important cross-linkages between them. For example, changes are needed in policies for local economic development, in the structure and orientation of the energy industries, and in the tax system. Changes in each of these areas have to be considered as a subject in their own right. But the changes required in each can and must also contribute to the changes required in the others.

Other vital cross-linkages are those which link changes in dominant values and beliefs with changes in prevailing theories and models, with changes in what is measured and counted, with changes in objectives and policies, and with changes in organizational structures and procedures. All of these tie in with one another. Changes needed in any one of them will be linked with changes in the others.

Creating Tomorrow out of Today

We also need to understand the central dilemma that faces all who want to create a new future. It arises from the fact that we have to live in, and work

with, what exists today The dilemma particularly affects our attitude to today's organizations and power structures. If we try to work with them, the risk is that our efforts will be channelled into support for the status quo. If we try to work outside them, or even against them, the risk is that our efforts will be marginalized. A good example is the "green consumer" movement.¹ The running is currently being made by people in industry and commerce and those working closely with them. The danger is that their efforts to promote demand for consumer goods that are environmentally benign will simply result in strengthening the growth of consumerism. Meanwhile, however, those—like the Lifestyle Movement—who support the case for turning away from consumerism altogether, receive no support from industry, commerce or government and have to accept the risk of being marginalized.⁵

People who, while committed to the need for change, are also looking for outer-directed security and success in terms of personal career or wealth or power or publicity, will tend to work with and through existing power structures, whether in politics and government, industry, commerce and finance, the professions, or the information media. They have a necessary role in softening up the established institutions to the need for change. We need to understand its scope and limitations. Others, who may be of a more thoughtful or more rebellious—and perhaps less worldly—cast of mind, will tend to turn their back on the established institutions and work outside them or against them. Their role is necessary, too, and we need to understand its strengths and limitations also.

Working through existing organizations will often be a good way to take forward many of the shorter-term changes in economic practice that will be needed through the 1990s. These are changes that are attainable within the context already generally accepted, on issues that are already on the mainstream agenda. For example, to take the Brundtland Commission again, one way of trying to influence the governmental follow-up to the Commission's Report will be to lobby the governments taking part in the intergovernmental conference being held in Norway in May 1990.

When it comes to longer-term changes, the other approach is necessary. This involves changing accepted ideas of what is possible—creating a new context for decisions by established institutions and bringing new possibilities, now generally dismissed as irrelevant or infeasible, on to the mainstream agenda. Many examples are discussed in later chapters. They include the introduction of local currencies, and the replacement of taxes on income and financial capital by taxes on land and energy and resources. The pursuit of longer-term issues of this kind has to be undertaken outside established organizations, at least up to the point where those organizations can be persuaded or compelled to regard them as credible and worthy of attention. Preaching about the need for these changes to organization people

who are simply not ready to be converted, and would be unable to do anything about it if they were, is a waste of time. (Preaching to the already converted can be a waste of time too!)

The Politics of Economic Transformation

That the freedom of creative and innovative action in established institutions is very severely limited, is particularly marked in the sphere of electoral politics. In general, people who belong to a political party find that what they can do and say is limited to the party line, and is dismissed by their opponents and other people as part of the party-political game. When it comes to steps towards a new economic order, existing political institutions and processes are particularly handicapped. They reflect the assumptions and power structures of the old way of economic and political life. They can't avoid distorting the new economic questions of tomorrow to fit the old agenda of yesterday.

Taking British politics as an example, one of the conventional political camps identifies with the interests of employers and owners of capital. It favours the private (or commercial) sector over the public (or governmental) sector. In theory it subscribes to the ideology of the free market, including free trade. In practice, it aims to make people dependent on business and finance rather than on government and trades unions, and supports an international trading and financial system heavily biased in favour of rich nations against poor.

The main opposing political camp identifies with organized employees, and is closely linked to trades unions. It traditionally favours the public against the private sector, and subscribes to the ideology of the beneficent state. Its class base has been declining, and the assumption that governments, whether or not in consultation with trades unions, can have both the will and the capacity to take optimal decisions on behalf of the people, has been losing credibility. Nonetheless, this political approach would still make people dependent on big government and big trades unions, rather than big business and big finance.

In the centre between these two there has been a third conventional political force, split and in disarray at the time of writing. This supports what is known as a mixed economy, in which people will be dependent on a balance of big business, big finance, big trades unions and big government, which will cooperate quite closely with one another in a mild approximation to a corporate state.

The assumption that economic life must be dependent on big economic institutions has been common to all these conventional political approaches, the main difference between them being about the extent to which people should be dependent on business and finance or government and trades unions. Economic policies that will systematically enable people and places to

be less dependent on any of these, have simply not fitted into the conventional political agenda. It would be surprising if they had. For the processes and structures of conventional politics have themselves been based on the assumption of institutional dependency. If you want to take part in politics, as politics is conventionally understood, you virtually have to do so under the auspices of one or other of the national political parties, either by becoming a career politician yourself or by becoming a supporter of career politicians. Conventional politics has simply not been about enabling people to be more self-reliant.

The recent rise of green politics has not yet seriously affected this situation. The assumption among the conventional political parties is that they can become as green as they need to be without significant change either to themselves or to prevailing political and governmental processes, simply by adopting environmental policies. Meanwhile, Green Parties—in West Germany, Britain and other countries—have not yet fully come to terms with the possibility that taking part in the game of electoral politics in its present form may be incompatible with the effort to create the new kind of society they want.

This book is not about politics as such, and we cannot take the discussion very much further here. But it is important to recognize that transition to an enabling and conserving economy will have to be accompanied by transition to an enabling and conserving politics. That economic and political transformation cannot be separated from one another has been clearly demonstrated by the events of the last few years in the Soviet Union and China. The Soviet Union discovered that progress with effective reforms on the economic side—perestroika—depended on progress with democratization to break up the log-jam on the political side. China discovered that opening up greater freedom on the economic side created pressures for greater democracy on the political side—which China's rulers, being unwilling to accept, then put down by the unconcealed, unashamed use of violence against their own young people.

The crucial point is that economics is about power. The prevailing structures of economic life reflect prevailing structures of power. The prevailing assumptions of economic theory reflect prevailing assumptions about power. The transformation of today's economic order into a new one for the twenty-first century will involve transforming today's structures of power and today's assumptions about it. This will be apparent in many of the following chapters.

It also prompts the most sobering reflection of all. People with more power and wealth than others do not willingly give them up, and people who enjoy security and order do not willingly see them threatened. It would be foolish to underestimate potential resistance to the necessary economic transformation which we are trying to bring about. It could be disastrous to underestimate the ruthlessness with which this transformation might be suppressed even in law-abiding countries like Britain, if ever it came to be

seen as a vehicle for disruptive social and political forces. Whether or not it can be accomplished with the collective political wisdom needed on all sides if it is to succeed, we cannot foretell in advance. All each of us can do is our best to ensure that it is.

Notes and References

1. Statistics in this paragraph are from *Our Common Future—Report of the World Commission on Environment and Development* (the Brundtland Report)—Oxford University Press, 1987.
2. See Note 1.
3. Already, in 1988 and 1989, in association with the New Economics Foundation, a number of British NGOs—Friends of the Earth, Oxfam, Quaker Peace and Service, Survival International, United Nations Associations, World Development Movement, World Wide Fund for Nature—have co-operated in following up the Brundtland Report's recommendations. Information about the resulting publications can be obtained from any of them.
4. References to the green consumer movement are in Chapter 4, Note 4.
5. Information about the Lifestyle Movement is available from DrJohn West, 9 Driver Terrace, Silsden, Keighley, West Yorkshire BD20 OJR.

2

Principles

This chapter describes the three key principles for a new economic order geared to creating wealth and wellbeing for people and the Earth. It must be ENABLING (for people) and CONSERVING (for the Earth's resources and environment); and it must be organized and understood as a MULTI-LEVEL ONE-WORLD SYSTEM. An important task for the 1990s will be to clarify these principles and their practical implications.

These are dynamic principles in the sense that they indicate a direction for development and progress. They do not point to a static goal that could be finally achieved. This book is about their application in the next few decades. In a hundred years' time they will still be valid, but the practical ways of applying them will be different from today.

Enabling (for people) and conserving (for resources and environment) are not precisely symmetrical. Enabling people to develop their capacities and potential is more positive than merely conserving what already exists. Enriching the Earth's natural environment and resources would be the counterpart to enabling. The aim of leaving the natural world better when you depart from it than it was when you came in, is certainly a worthy aim for a human life. But, unfortunately, the idea of environmental enrichment as a guiding principle of economic life today seems too far-fetched. For the time being, conserving will have to do. In any case, this conceptual asymmetry is probably not of great practical importance. Environmental conservation shades into environmental enrichment, just as—to take an example of enabling—preventative health care shades into health promotion. Environmental conservation and environmental enrichment both represent environmental investment, just as preventative health care and health promotion both represent social investment. They are all concerned with safeguarding and creating environmental or social wealth.

Enabling

The 21st-century economy must be systematically enabling. Instead of systematically creating and extending dependency, it must systematically foster self-reliance and the capacity for self-development. Self-reliance does not mean self-sufficiency or selfish isolation. It requires the capacity to cooperate freely with others. Self-development includes the development of the capacity for cooperative self-reliance.

Enabling and self-development, as a two-sided process like teaching and learning, should pervade 21st-century economic life. Greater self-reliance, not greater dependence, should be a continuing aim of economic units—persons, cities, nations—at every level of the economic system. Enabling smaller units—such as cities—to become economically more self-reliant and to acquire the capacity to develop themselves, should be one of the main functions of the larger units which contain them—such as nations.

Many of the tasks for the 1990s will involve working out ways of applying the two-sided process of enabling and self-development throughout the world economy, in all its component subunits including the lives of individual people. Examples are discussed in later chapters.

Enabling and self-development will represent a fundamental change from the conventional pattern of economic development. That has created and reinforced dependency and domination. It still does. What is happening in the Third World today repeats what happened in the early stages of development in the industrialized countries one or two centuries ago. First, people are excluded from a self-reliant subsistence way of life and made dependent on paid labour. Then, as development proceeds, dependence widens and deepens. People become conditioned to depend, not only as employees on employers for work. As consumers they become dependent on businesses, professional organizations and government agencies, which then persuade them to regard an ever-expanding range of goods and services as necessities of life.

The dependency created by conventional economic progress applies not only to people, but to countries and cities and other localities too. Many Third World countries today, faced with impossibly large debts, have become hopelessly dependent on the international economy to provide them with export markets and with transfers of technology and finance. Their dependence is paralleled by the dependence of many run-down cities in the industrialized countries, whose national economies are equally unable to revive them.

By developing more self-reliant ways of economic life, and thereby taking more control of their own economic destinies, people and localities will be better able to secure a materially adequate and sustainable standard of living

and a socially and psychologically rewarding quality of life—for themselves, for one another, and for succeeding generations.

This will mean more justice and equality in economic life than today, but not the kind of justice and equality that is administered to subordinate people from on high. In the new economic order justice and equality will be brought about by liberating people and localities and nations from dependency, helping them to provide for themselves and one another, and enabling them to take more control of their own economic destinies, rather than by making the less fortunate depend on transfers of welfare and aid from those who are richer and more powerful than themselves.

It is now two hundred years since the French Revolution. An important task for political philosophy during the 1990s will be to reinterpret the roles of liberty, equality and fraternity—freedom, justice and solidarity—in an economic order pervaded by processes of enabling and self-development.

Conserving

The 21st-century economic order must be systematically conserving, instead of systematically wasteful and polluting.

Conventional economic thinking treats material economic activities as if each one were a separate linear process, starting with the extraction of resources (from an infinite pool of resources in the natural world, which is seen as being outside the economic system altogether), continuing with the use of the resources in the production of goods, followed by the consumption of the goods, and ending with the disposal of wastes (into an infinite sink in the natural world, which is again seen as outside the economic system). The result is that today's economic system operates as if it were a machine designed to take resources out of the Earth, convert them into wastes, and return them to the Earth as wastes. By its very nature, it is systematically wasteful and polluting.

The 21st-century economic order, by contrast, must see the whole of economic activity as a single continuing cyclical process, consisting of countless inter-related cyclical sub-processes, with the wastes from each providing resources for others. It must design the economic system as an organic part of the natural world, not as a machine external to it—a reintegration which will also mean giving up the converse assumption that the natural world is a limitless pool and sink external to the economic system. The 21st-century economic system must thus be systematically conserving.

Later chapters discuss examples of what this will mean in specific contexts. The point to emphasize here is that a more conserving approach and a more enabling and self-reliant approach to economic life will be mutually reinforcing.

In the first place, using resources efficiently and conservingly contributes to self-reliance. The more a city or other local economy can recycle its own

flows of food, water, energy, materials, wastes and money within its own closed-loop system—i.e. the more conserving, as opposed to wasteful and ecologically damaging and polluting, a local economy can become—the more self-reliant it will be. The more it can supply itself with food, energy and materials by using its waste land for food-growing, by capturing energy from internal sources, and by recycling its wastes, the less dependent it will be on imports of food, energy and materials; and the more its people's incomes will circulate within the local economy and generate activity there. As planners are now beginning to see, it makes sense—from the point of view of socio-economic as well as physical planning—to think of a city economy as an ecosystem.¹

The connection between local economic autonomy and ecological sustainability runs the other way too. Local people who control their own local economy are less likely to waste their resources and pollute their environment than distant decision-makers with no local roots. As the Brundtland Commission found, the integration of economic and ecological goals is best secured by decentralizing the management of resources upon which local communities depend, and giving these communities an effective say over the use of these resources".²

Meanwhile, the World Health Organization's work on Health For All by the Year 2000 has been reaching similar conclusions. WHO's 1986 Charter for Health Promotion stresses "the empowerment of communities, their ownership and control of their own endeavours and destinies" as the heart of the process of strengthening community action on which health promotion ultimately depends; and the concept of the self-reliant, ecological city is providing a focus for WHO's international Healthy Cities programme.³

Cities and other localities are not the only economic units to which the ecosystem concept applies. We have to treat households and nations and the global economy itself as ecosystem economies, and work out new approaches to more self-reliant and sustainable development for them. Investing in self-reliance and sustainability will be increasingly relevant to them all.

Social and Environmental Investment

Conventional economic thinking has classified social and environmental measures as wealth consumption, not wealth creation. This has reflected, and been reflected by, the fact that such measures have always been largely remedial. So, health policies and health services have been more concerned with remedying sickness after the event than with positively improving the public health and enabling people to be healthier. And, as the Brundtland Commission put it, "environmental management practices have focused largely upon after-the-fact repair of damage: *reforestation, reclaiming desert lands, rebuilding urban environments, restoring natural habitats, and rehabilitating wild lands*".⁴

The 21st-century economic order will have to reject these conventional perceptions and conventional policy orientations. The idea that economic policies are wealth-creating and social policies wealth-consuming, and that economic policies should therefore be given priority over social policies, is simply not realistic. The world is not like that. This is quite obvious in urban priority areas and other disadvantaged localities, even in industrialized countries. In that context, the need for improved work opportunities, improved housing, an improved health and social environment, improved education, improved leisure facilities, improved incomes and, above all, an improvement in the capacity and confidence of local people to do more for themselves, clearly has to be approached as a single constellation of need—not a collection of distinct and separate needs to be met in distinct and separate ways, some economic and some social.⁵ In the context of sustainable development in Third World countries, the Brundtland Commission asked governments to consider abandoning "the false division between 'productive' or 'economic' expenditures and 'social' expenditures. Policy-makers must realize that spending on population activities and on other efforts to raise human potential is crucial to a nation's economic and productive activities."⁶

Investment to create social and environmental wealth will have a vital role in the new 21st-century economic order, and 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 investments will have to be worked out. New institutions will be needed to enable people, as well as public sector agencies, to channel their savings into this kind of investment.

A Multi-Level One-World Economy

The 21st-century economy must be designed and managed as a multi-level one-world economic system, with autonomous but interdependent component parts at all levels.

Adam Smith accepted the assumption of his mercantilist predecessors that national economies were the basic entities for organizing economic life and understanding how it works.⁷ His successors, including Keynes and Marx and their followers, continued to take the national economy as the focal economic unit, and the nation state as the principal instrument for measuring, regulating, managing and planning economic activities.

Economic policy-making today is still based on that assumption. On the one hand, national governments insist on controlling the spending of local government authorities as an aspect of national economic management. On the other, international economic relations are based on the idea of sovereign nations negotiating among themselves. Currencies are still issued nationally, not locally or internationally; money is denominated and controlled at the national level. National, not local or international,

authorities are still expected to regulate the activities of banks, stock exchanges and other financial institutions.

However, the gap between conventional economic theory and practice on the one hand and economic realities on the other is already growing too wide to be ignored. The need for effective economic policy at the local level is highlighted by the economic problems of cities and rural districts in many parts of the world. Meanwhile, recurring international ecological and economic problems, the increasing need for international economic co-ordination, the growing domination of the world economy by transnational corporations, and the emergence of a one-world financial system based on computer communication between London, Tokyo, New York and other centres, emphasize the need for effective economic policy-making at the global level. To continue to focus on national economic policy-making—whether from a Keynesian, monetarist, socialist or any other standpoint—would simply be to ignore 21st-century realities.

We cannot lay out in advance a detailed blueprint for the emerging multilevel one-world economic system. For example, locality—and therefore the meaning of terms like "local economy" and "local autonomy"—cannot be precisely defined. What people think of as a locality varies from place to place. In population size and geographical area a locality in a remote rural district will differ from a locality in a metropolitan city. Nations differ from one another in these respects too. The Indian Ocean island state of Seychelles has a population of less than 70,000, smaller than thousands of towns and cities throughout the world. The population of China is well over 10,000 times larger. Yet Seychelles has a national economy as China does, together with its own currency, central bank, development bank, annually updated development plan, and so forth. Incidentally, there is no doubt that the people of Seychelles benefit from the control this gives them over their own economic affairs.⁸

But, although we cannot think in terms of a uniformly structured world economy—so many people per household, so many households per neighbourhood, so many neighbourhoods per district, and so on at every level through city (or county), province, nation and continent up to the global level—we must begin to understand the world economy as a multi-level system. We must begin to articulate its autonomous but interdependent sub-economies more coherently than at present. And we must define the principal function of each larger, higher-level economic unit as being to enable its component sub-economies to be more self-reliant and more conserving.

That is the conceptual starting point for advances to be made during the 1990s in many specific spheres. It provides the context in which particular issues, such as the Third World debt crisis or the shape of Europe after 1992, need to be understood. It brings to notice many questions of a practical kind, for example about the scope for local and international equivalents of currencies, central banks, public spending, taxation, and so on. And it provides a useful reminder that systems theory can throw light on the further

design and evolution of the world's economic system and its component parts. What all this will mean in particular spheres of economic life, and the practical tasks arising for the 1990s, will be outlined in subsequent chapters.

New Economic Concepts

The key principles of the new economic order discussed in this chapter will have important consequences for theoretical economics. In the light of the new understanding of economic progress which they imply, it will be necessary to re-examine and redefine many economic concepts.

These will include wealth creation and capital accumulation; efficiency and productivity; dependence, interdependence and self-reliance; risk and security; and needs, wants and scarcity. What will be meant by wealth creation, capital accumulation and greater efficiency and productivity for people and organizations operating at each of the various levels of an enabling and conserving one-world economy? And how will they best be measured?

These will be among the kinds of question in our minds as we turn to the need to replace old economic ideas with new.

Notes and References

¹ See, for example, papers given by Tjeerd Deelstra and David Morris at the first U.K. Healthy Cities conference in Liverpool in March 1988. The conference proceedings, edited by Dr John Ashton of the Department of Community Medicine, Liverpool University, who organized the conference, are to be published shortly by the Kings Fund, London.

² *Our Common Future*, Oxford University Press, 1987, p. 63.

³ Helping to draw up the WHO Health Promotion Charter in Ottawa in November 1986 was an exciting and significant event. Information about WHO programmes on Health Promotion and Healthy Cities can be obtained from the WHO Regional Office for Europe, 8 Scherfigsvej, DK-2100 Copenhagen, Denmark. One of its most notable aspects is the work of Dr Trevor Hancock of the Faculty of Environmental Studies, York University, Toronto, on the links between public health, the environment and the economy.

⁴ *Our Common Future*, p.39.

⁵ Work which David Cadman and I did for the EEC and OECD in 1985 on finance for local employment initiatives confirmed this.

⁶ *Our Common Future*, p. 105.

⁷ Jane Jacobs makes this point strongly in *Cities and the Wealth of Nations*, Pelican, 1986, but argues—mistakenly, in my view—that cities should replace nations as the salient entity in economic policy and theory.

⁸ As desk officer responsible for Seychelles in the Colonial Office in London in the late 1950s, I was involved in drawing up Seychelles' first development plan. Visiting the islands again nearly thirty years later, I was struck by the economic benefits that had come with political independence.

3

New Ideas for Old

An important task for the 1990s will be to spread understanding of the inadequacies of conventional economic thought, and to clarify what can and should be done to remedy them

Conventional economics is based on primitive conceptual assumptions. It embodies questionable value judgments and incorrect understandings of facts, for example about human nature and the natural world. It reflects what economic life and the state of human development were like two hundred years ago. In short, it suffers from factual error, philosophical misconception, and historical obsolescence. The 21st-century economy needs a stronger conceptual basis than this.

Valuing People and the Earth

The 21st-century economy must recognize the value of people and the Earth.

Conventional economic thinking places no value on people nor on natural resources and the environment except in the context of formal economic activity, that is in the context of earning and spending and of being bought and sold. So, for example, all the rewarding and useful things that people do for themselves and one another in the informal economy, i.e. without being paid—let alone the fact of a person's very existence as a human being—are given no value by conventional economics. And, as we saw in Chapter 2, conventional economics treats the natural world as an infinite pool of resources and an infinite sink for wastes which, being outside the economic system altogether, are deemed to have no value.

Later chapters will discuss ways to rectify this failing of conventional economics. One is in the sphere of monitoring, auditing and accounting where, for example, monetary measurement of national product—as in Gross National Product—is an utterly inadequate indicator of what the economy is

doing for people and the Earth That can only be indicated by non-monetary measurements of human and environmental wellbeing. Another approach, paradoxically, is to develop the use of actual monetary mechanisms, not just notional monetary calculations, to give value to people and the Earth even when they are not engaged in economic transactions. The value of people would be to some extent recognized, for example, by the payment of a basic income to all people unconditionally. And the value of the Earth's resources and the natural environment would be recognized by taxing people who occupy land, extract resources and create waste and pollution.

Beyond Materialism

The 21st-century economy must be understood and designed and managed as an economy in which services, information and culture—and the activities, transactions and relationships which these involve—play a central part, not as if it were still an economy almost exclusively concerned with the production and exchange of material commodities and manufactures.

In the 18th and 19th centuries, economic practice and thought developed around the concepts of supply and demand, production and consumption, as applied to material commodities and manufactures. When, in the 20th century, the provision of services like education and health began to play a greater part in the economy, those concepts were applied to that sphere of activity too; economists and politicians and other public policy-makers and commentators began to think in terms of service "industries". More recently, the application of those same materialist concepts has been extended further, into the spheres of information, communication, scientific research and the arts. Many people are now attempting to understand and organize these as knowledge and culture "industries", revolving around the production, distribution and consumption of "products" such as computer software, television programmes, scientific papers and discoveries, and artistic, musical and dramatic works and performances. Money, too, is something that economists have always tried to understand in material terms, assuming that the supply of money and the velocity of its circulation could be measured and controlled in much the same way as tons of coal or gallons of water.

The growing role of information, communication and culture in economic life, supported by the development of information and communication technologies, now requires us to question this approach. For example, money has now evolved from metal coins, through paper notes and cheques, into electronic messages that debit one account and credit another. Money and finance are now handled as information. They must be understood as information, and the methods for organizing and handling them efficiently and fairly must be designed and managed as information systems. More generally, the production, distribution and use of information—including

knowledge, design and skill—is clearly going to pervade the 21st-century economy.

New ways of handling and communicating information can contribute both to the internationalization and to the localization of economic decision-making, in a multilevel one-world economic system. More intelligent use of information, design and knowledge can contribute to a more conserving, less polluting way of economic life. The new information and communication technologies can help to redress the economic imbalance between city and countryside. An information-based economy can be either more enabling or even more dependency-creating than today's. In this respect information and communications technologies are a double-edged sword. They can, if purposefully designed and used, enable people and localities and nations to take greater control of many aspects of their lives and reduce their dependence on organizations and forces outside their own control. But they can also be used to reinforce the dominance of richer over poorer, and of more powerful over weaker, people and localities and nations and cultures. We need to make sure that the first of these two alternatives, not the second, is what actually happens.¹

Beyond Production and Consumption

Connected with the need to go beyond materialism, the 21st-century economy must be understood and designed and managed as an economy in which activities of value do not necessarily conform to the production/consumption model of conventional economics. Conventional economic thought has considered production and consumption as essentially separate processes, in which the goods and services are produced by some people and then consumed by others.

The idea that production and consumption are necessarily distinct was connected with the masculine model of society prevalent in the 18th and 19th centuries but obsolescent now, in which male breadwinners were expected to go out to a "workplace" in the "world of work", leaving their womenfolk to look after the home and the other "dependants" in the family. The dominant position of men was reflected in the assumption that they were the "economically active" workers who created wealth, whereas other "economically inactive" members of society only consumed it and were a cost and a burden on the economy. Although the economic roles of men and women no longer conform to that stereotype, the concepts that arose from it—such as those in quotation marks in the previous sentence—continue to shape conventional economic thinking. They result, among other things, in the denial of economic value and even economic existence to informal economic activities—as discussed earlier in this chapter.

Conventional economics thus defines production as creating wealth, consumption as using it up, and labour as a cost. Work is seen as activity that people have to be paid to do.² Conventional economics attributes benefit to the consumption of products, but not to participation in processes. So, while it can envisage leisure-consumers enjoying leisure-activities provided by leisure-producers, it cannot envisage people drawing positive satisfaction, or getting positive benefit, from actually taking part in productive and useful activities. It cannot envisage win-win situations, in which people positively enjoy activities that help to meet their own needs, or in which they achieve satisfaction or benefit for themselves in helping others to do the same. Thus it puts no value on unpaid voluntary work.³ Conventional economics can only envisage zero-sum situations, in which benefits of consumption are matched by costs of production.

The centrality of the production/consumption model in conventional economics is directly related to the creation of dependency. The production/consumption model encourages people to think that they cannot do things for themselves, but must necessarily depend as consumers on others—producers—to meet their needs. It encourages them to think of their health in terms of health services and health products for which they must depend on health professionals and a health products industry, and not to create healthier ways of living and healthier living environments for themselves and one another. It encourages them to think of themselves as consumers of information products and artistic products, such as newspapers and television programmes and concerts, and to be dependent on the producers of those products. It does not encourage them to participate more actively in information processes and arts activities.

The 21st-century economy must enable and encourage people to participate, rather than simply produce and consume, and must attribute value to people's capacity to manage their own lives.

Beyond the Impersonality of Capitalism and Socialism

Another of the assumptions underlying conventional economics is that economic activity is necessarily governed by the impersonal mechanisms of either the market or the state, and that it is best understood that way. The theory is that in a pure capitalist economy the market is supreme, with economic activity aiming to maximize monetary profit; that in a pure socialist economy the state is supreme, with economic activity responding to the

commands of state planners; and that most actual economies are to some extent mixed, tending towards market or state domination in each particular case.

In practice, capitalist, socialist and mixed economies have all suffered from the same underlying failure—a failure to harmonize personal, organizational and societal goals. The result is a failure to achieve both economic efficiency and social justice, and thus a failure to create wellbeing for all. The failures of capitalism and socialism in this respect have taken recognizably different forms—as have their dominant elites. But in capitalist and socialist economies alike over the past seventy years the pattern of response to these failures has been similar, with the pendulum swinging back and forth as each has tried to solve its problems by going part way towards the other: in capitalist countries from a free market economy towards greater government intervention, and then back again; and in socialist countries from rigidly centralized state planning towards a more market-based economy, and then back again. In spite of these shifts of emphasis, neither the market nor the state nor any mixture between the two has been capable of achieving socially sustainable, let alone environmentally sustainable, progress. Something is missing. A new approach is needed, going beyond both the market and the state.

This new approach will involve recognizing that economic life cannot be successfully organized as if people are different from what they really are. People are not impersonal automatons, governed by the impersonal dictates of market or state. This has its negative aspect. In a capitalist economy the financial and business people who operate the agencies of the market, and in a socialist economy the bureaucrats who operate the agencies of the state, distort their operations in favour of themselves and their associates. Neither capitalism nor socialism, being amoral, offers effective safeguards against institutional corruption of a systemic kind. But the fact that people are not impersonal automatons also has a very important positive side. Since people have a capacity for moral responsibility and choice, they often act altruistically instead of mechanistically following the demands of the market or the state.

Unlike both the capitalist and socialist versions of conventional economics, then, the 21st-century economy must be based on recognition that people are moral beings whose freedom as such should not be narrowly bound by impersonal parameters laid down by market and state. The 21st-century economy must accept, as an aspect of self-reliance, that people need space in which to exercise moral responsibility and choice in their economic lives. Measures designed to allow this free space to people as individuals, and also to groupings of people in local economies and national economies (especially in the Third World), must be part of the new economic order. Possible examples—including, again, the unconditional basic income—are discussed in later chapters.

Beyond Homo Economicus

The new economic order for the 21st century must be based on understanding people's actual nature and needs and motives, and how the economic system itself influences them. To put it another way, our model of the new economic system must be directly related to our model of society and our model of the human being or, as it used to be called, our "model of Man".

Conventional economics avoids serious discussion of people's needs and motivations. It adopts a number of simple assumptions:

- humans are selfish individuals, bent on maximizing their own satisfaction ("utility");
- satisfaction comes from consuming;
- people's needs are expressed in terms of what they are prepared to pay for, and how much ("effective demand");
- people's motives centre on maximizing the monetary value (or notional monetary value) of what they can get from their economic activities.

Twenty-first-century economics must be more sophisticated than that. It must recognize that people have a dual nature. On the one hand, it is a fact that people are prone to greed and self-interest and other human vices. On the other hand, it is also a fact that people are motivated by desire to help and co-operate with one another, and are often prepared to put the common good above their own immediate self-interest. Twenty-first-century economic organization and theory must recognize the dual—selfish and altruistic—nature of human beings, and be designed around it.⁴

This means that the 21st-century economic order must be organized as a system of rights and obligations, risks and rewards, that will:

- channel people's selfishness into the common good;
- prevent people's selfishness from damaging other people's interests, and especially the selfishness of the powerful from exploiting the weak; and
- energize the altruistic desires and capacities of people to help one another as well as themselves, and to contribute to creating a better society and a better world.

Beyond Value-Free Economics

The 21st-century economic order must recognize that economics can never be an objective science that is value-free. Those who say it can are either deceiving themselves or trying to deceive others. It now has to be explicitly

recast as what it has always actually been, even in its dependency-creating and ecologically destructive contemporary form—an expression of a political and moral philosophy.

A sense of historical perspective is helpful here.

The transition in the 17th and 18th centuries to today's economic order reflected the rise of new science and the decline of old corrupted morality. Instead of basing their approach to economic affairs on the fading religious and moral insights of the medieval world, new thinkers like Hobbes and Adam Smith based it on what they saw as the actual behaviour of the society in which they lived. Subsequently, the growing emphasis on quantitative measurement in the natural sciences was paralleled by a greatly increased role for monetary exchange and monetary values in economic life. That transition to a new economic order, based on the free market and the national state, was a liberation from old restrictions. It released people's economic energies from moral constraints. It freed them from control by Crown and Church and guilds. It gave economic power to a new cast of actors, unfettered by the old moral and religious restraints.

Today's transition to the next new economic order will also be a liberation from existing limitations, but in a different way. It will release the energies of billions of people now constrained by the requirements of national and international markets and nation states. And this time, by contrast with the previous one, the transition to a new economic order will reflect the rise of a new morality and the decline of a failing scientific approach. One of its key features will be a revival of emphasis on personal and corporate rights and obligations in the economic sphere.

Indeed, rights and obligations must be at the heart of the new economics, as economics becomes re-absorbed in the main body of moral and political thought.⁵ This does not mean reverting to a static, hierarchical, God-given economic order such as existed in medieval times. It means developing a human framework of institutions which will enable free people to steer their own economic destinies as they themselves decide, while preventing them from encroaching on the freedom of others to do the same and from damaging the ecosystem on which everyone depends.

In short, the 21st-century economic order must be humanly designed as a system of equal rights and obligations governing the behaviour of free people, their relations with one another, and their relations with the natural world. We must design this system almost as if we were designing a game—in which the rules and scoring system can be clearly understood and fairly administered, in which the balance of risks and rewards encourages people to channel their energies into socially and ecologically positive behaviour, and in which people give one another space to exercise moral choice and moral responsibility. And then we must evolve it into existence by a purposeful stage-by-stage transformation of what exists today.

The rules of this game are laws and the scoring system is money. The rights and obligations embodied in the laws, and the way the laws are administered, should safeguard and enlarge each person's freedom and ability to meet their needs, including their needs for co-operation and self-development, while obliging them to act in ways that safeguard and enlarge the same freedom and ability for other people. And, as outlined in Chapters 9 to 12, the money system too must be designed and operated as a fair and efficient way of regulating and accounting for people's claims and obligations towards one another.

Beyond Smith, Marx and Keynes

This chapter and the previous one have outlined some of the main features of a new economic order and a new economics appropriate to the post-industrial world of the 21st century.

The new economic order must focus on the wealth and well-being of people and the Earth. It must be enabling, not dependency-creating. It must be conserving, not wasteful and environmentally damaging and destructive. It must be concerned, not primarily with "the wealth of nations", but with the operations of the one-world economic system through which the lives of all people on Earth interact with one another and the ecosystem. It must reflect a "model of Man" that recognizes that people have non-material as well as material needs; that these include their need to use and develop their own capacities and potential; and that those include their capacity for co-operation and altruism and their potential as moral beings.

The new economics must thus transcend the materialist assumptions of conventional economics: that economic life is reducible to production and consumption; that wealth is a kind of product that has to be created before it can be consumed; and that wealth production and wealth consumption are successive stages in a linear process which converts resources into waste. It must reinterpret the manipulative concern of conventional economics with the production and distribution of wealth and the allocation of resources, into a developmental concern with how to enable people to meet their needs, develop themselves, and enhance the resources and qualities of the natural world. It must recognize that, because human beings are moral beings, the basic questions about economic life are moral questions. Asking what actually happened in the specific contexts of certain times and places (empirical questions), and what would happen in various imagined situations (hypothetical questions), are useful ways of throwing light on future possibilities. But the questions that matter are about what we are to do. What choices are we to make? How, personally and collectively, are we to conduct and organize our economic lives? And how are we to design and evolve an enabling one-world economic system in harmony with the larger ecosystem of which it is part?

This will amount to a new way of organizing and understanding economic life in which the mainspring of economic progress is no longer the desire and power of people, including organizations and nations, to make other people economically dependent on them. It will mean treating each individual as an autonomous moral actor, interdependent with billions of other persons with equally valid needs, obligations and rights, in a single decentralized world-wide economy. It will mean aligning the economic goals and motivations of organizations and nations with those of people, so that the self-development of each positively enhances the self-development of all.

The period of history now ending is one in which the economic side of human life declared itself independent of other aspects of people's lives and people's relationships with one another and the natural world. As the next chapter shows, this has encouraged and even compelled most people to deal with economic matters without reference to wider social or environmental or moral or philosophical or spiritual considerations. That has been the context in which conventional economic thinking has developed and advanced. And now the economic side of life, and the conventional modes of economic practice and thought, are engulfing everything else and threatening to destroy it. The time has come when economic practice and thought must be reintegrated with other aspects of human and natural life, and made subordinate to human, environmental and moral values.

The key task for the early 1990s is to get this widely accepted in principle, and to begin to make real headway in working out and implementing what it means in practice for economic life and economic thought.

Notes and References

¹ The impact of the "information revolution" on economic life and thought is more fully discussed in "The New Economics of Information". This 60-page booklet, containing papers by Tom Stonier, Neville Jayaweera and James Robertson, is available (price £2.50) from the New Economics Foundation, 88-94 Wentworth Street, London E1 7SE.

² The need to redefine work as an aspect of the transition from the industrial to the post-industrial age, so that its accepted and normal form becomes ownwork instead of employment by an employer, has fundamental implications for every sphere of social and economic life and thought. See *Future Work : Jobs, Self-Employment and Leisure after the Industrial Age*, Gower/Temple Smith, 1985.

³ For a fuller discussion of this point see "The Changing Environment of Volunteering", the 1987 Geraldine Aves Memorial Lecture—obtainable from The Volunteer Centre, 29 Lower King's Road, Berkhamsted, Herts HP4 2AB.

⁴ The most notable contribution in this respect so far has been made by Mark A. Lutz and Kenneth Lux in their books *The Challenge of Humanistic Economics*, Benjamin/Cummings, MenloPark, California, 1979, and *Humanistic Economics: The New Challenge*, Bootstrap, New York, 1988.

⁵ C.B. MacPherson, in *The Rise and Fall of Economic Justice*, OUP, 1985, and several other books, and John Rawls in *A Theory of Justice*, OUP 1972, are among the political philosophers in recent decades who have given attention to questions concerning economic rights and obligations. A top priority for philosophers of the new economics is now to carry their work forward in the context of an enabling and conserving one-world economy.

4

People

This chapter and the four which follow are about the main structural components of the economic order—the personal and household economy, the local economy, the national economy (and supra-national groupings like the European Community), the global economy, and the organizations (such as business companies) that carry out economic activities. The aim of these chapters, taken together, is to outline the structure of a new economic order that will be enabling and conserving.

We start with people—who are, when it comes to fundamentals, the only economic actors. We are not so much concerned with conventional economic questions about people. These are to do with people in a passive role—as dependents on economic activity—how they should be organized and trained to produce, how they can be given jobs, what they can be persuaded to consume, and what welfare services they should receive. Our agenda is different. It is about how people can be enabled to play a more active part in the twenty-first-century economy. How can people be enabled to become more self-reliant and conserving? What changes in our economic lives will enable us to take more control over them? How can we use our economic power to help to create a more enabling and conserving economy?

These questions apply to human beings everywhere, wherever we are, wherever we live, however we work, whatever kinds of houses we live in, whatever kinds of food we eat. So, although this chapter may seem to apply particularly to people in western industrialized countries like Britain, the same principles hold for people in socialist economies and the Third World.

Some of people's economic activities are in the formal economy. These involve money. They include our activities as paid workers, purchasing consumers, and financial savers. Others take place in the informal economy—in our households and neighbourhoods, where we and our families and our neighbours provide ourselves and one another with useful and necessary goods and services, for most of which no money changes hands.¹

Conventional economic theory and policy-making assume that, as workers, consumers and savers, we act amorally in pursuit of our own self-interest without regard to wider considerations. Employees are not held legally responsible for their work; their employers are. Consumer advisory services have conventionally limited their advice to "best buys" in terms of value for money. Conventional financial advisers advise savers and investors only about how to get the best financial return for their money. In short, today's economic order operates on the basis that people have no desire and no sense of responsibility to do intrinsically useful and rewarding work, or to use their purchasing power and investing power to make the world a better place.

So far as the household and informal sectors are concerned, the conventional economic wisdom is that these make no contribution of any value to the economy at all. The new economic order must relegate this quirk of the human mind to the realm of historical curiosities, along with the thinking that underlay such questions as how much space is occupied by angels and whether Adam and Eve had navels. Medieval schoolmen and Victorian counter-evolutionists were perfectly serious about those questions. So are professional economists today when they maintain that, if water is brought to Third World households in trucks driven by paid drivers, it makes a contribution to national wealth but that, if it is carried there from wells miles away by unpaid village women on their heads, it has no economic value.² And today's economists will seem just as funny to future generations as their medieval and Victorian opposite numbers seem to us today.

This chapter deals, then, with two commonsense facts that the new economic order, unlike today's, must recognize. First, people are moral beings. Their freedom and capability to exercise choice—including moral choice—as employees, consumers and savers must be enlarged. Second, the useful informal activities of the household and neighbourhood can be as good a way of meeting human needs as the activities of the formal, monetarized sector—and in many cases actually a better way. People must be positively enabled and encouraged to participate actively in the informal economy, if they so choose.

Purposeful Workers

The direct way to enlarge people's freedom to choose the kinds of paid work they regard as valuable and to organize it and do it for themselves under their own control, is to alter the conditions in which paid work is done. For example, more open and democratic corporate decision-making in employing organizations will give employees better information about the social and environmental implications of their work, and more say in it. The creation of many more co-operatives and community businesses, the conversion of existing companies and other organizations into these forms, and their

acceptance as normal parts of the mainstream economy, will bring wider opportunities for people to work together in pursuit of their own shared aims and values. Making it easier for people to set up their own organizations, and creating the climate and the confidence and the knowhow that will enable people to do this, will be important. Changes like these in the corporate aspects of the economy are discussed in Chapter 8.

The indirect, but perhaps even more important, way to enlarge people's freedom to choose what kinds of paid work they will do, is to strengthen their negotiating position with potential employers. I am not referring here to the strengthening of trades unions, upon which paid workers conventionally depend to represent their interests to employers. I am referring to the need to help people to become less dependent on paid employment altogether. Three ways of doing this stand out, as mutually reinforcing parts of an enabling package. The first is the wider distribution of unearned incomes, for example by providing every citizen with a basic income as of right from the state or the local community, as discussed in Chapter 11. The second, also discussed in Chapter 11, is to distribute capital more widely—not only through wider home ownership and wider share ownership, but also through wider ownership of the physical means of production in the form of land, premises and equipment. The third is to encourage home-based work. This means removing the existing economic and cultural disincentives against home-based self-employment and other kinds of productive work at home, and giving them positive support.

There is a vitally important principle here. The possession of an income, of capital, and of the capacity to work productively in our own homes, can not only enable us to withdraw to some extent from participation in the labour market outside—and so to enlarge the part played in our lives by informal economic activity, as discussed later. By providing us with a degree of independence against people and organizations participating in the labour market who are richer and more powerful than ourselves, it can also enable us to negotiate our own participation in the labour market on fairer and more equal terms. This principle can be applied not only at the personal and household level—which we are discussing in this chapter—but also to local economies and national economies. To the extent that a city can become economically more self-reliant, its people will be able to participate on fairer, more equal terms in the national economy. And to the extent that a Third World nation can become economically more self-reliant, its people will be able to participate-on fairer, more equal terms in the international economy.

A vital feature, then, of the 21st-century economy is that it should enable people, cities and other localities, and nations to enjoy a level of economic self-reliance that will enable them to protect themselves from domination by more powerful entities in the larger economic arena outside. This principle

should not be confused with conventional "protectionism", meaning the opposite of free trade. Quite the reverse. It is an essential prerequisite for free and fair employment and trading relationships in an efficient market economy.

Purposeful Consumers

Purposeful consumers can exercise their consumer power in at least three different ways.

First, they can boycott products which they see as undesirable, either because of how they are produced (e.g. by sweated labour or inhumane farming), or because of their effect on people (e.g. tobacco and alcohol) or the environment (e.g. CFC-propelled aerosols), or because they come from companies (e.g. Nestle marketing babymilk to the Third World) or nations (e.g. South Africa) whose policies the consumers think are morally wrong.

Second, consumers can positively discriminate in favour of products and services which they wish to encourage for social or environmental or other moral reasons, by buying those products and services in preference to others.

Finally, consumers can reduce their overall level of consumption and buy less. Their purpose in so doing may be to conserve scarce resources, or to leave a larger share of resources for other people, e.g. in the Third World, or to safeguard the environment from pollution. Or it may be to save money, so as to be able to invest it, or give it to charity. Or it may be to reduce their dependence on spending, and therefore also on earning, money—and so to enlarge their freedom to do other things. Or it may be a mixture of some or all of these.

The 21st-century economy must enlarge people's opportunities to exercise consumer choice and consumer power in all these ways.

Again, one of the answers will be better information—from companies and other corporate bodies in their role as producers, as in their role as employers. They must be required to be more open about what their products contain and about the social and environmental impacts involved in their production, use and disposal. If they do not know, or are unwilling to provide, the relevant facts, consumer power should be used to drum them out of business.

Improved consumer advisory services are also needed. Existing consumer advice, such as is provided by the British Consumers' Association and its influential journal *Which?*, should be extended to cover ethical, social and environmental considerations. This is already done by, for example, the Consumers' Association of Penang and in the publications of the International Organization of Consumers' Unions.³ New consumer advisory bodies specializing in these concerns should also be encouraged. There is already a market for their services in the growing "green consumer" movement.⁴

Retail organizations will have to respond to the growing demands of purposeful consumers. Existing retail organizations are already giving increasing weight to social and environmental concerns, in response to consumer demand. New retail organizations, including producer and consumer co-operatives, should be encouraged to set up with the specific function of providing their customers with socially and environmentally benign products and services.⁵

Measures to encourage conservation, efficiency, and do-it-yourself methods of production will go with the growth of the purposeful consumer movement. These are all ways in which people who want to reduce their total consumption of scarce resources can be helped to do so. People can learn how to use less resources, how to use them more efficiently, how to recycle them, and—both individually and collectively—how to use household and local resources that are at present unused. There is an important role here for new consumer services in the local community.

Purposeful Savers

Just as a wider purposeful consumer movement must be encouraged to grow out of today's "green consumer" movement, so a wider purposeful saving movement must be encouraged to grow out of what is now known as "ethical investment" or "socially responsible investment". Purposeful saving, like purposeful consumption, can be exercised negatively or positively. It can involve refusing to invest one's money in enterprises and purposes to which one is opposed, such as companies producing tobacco or armaments or ecologically damaging products. And it can involve a positive decision to invest in enterprises and projects of kinds which one wishes to support.

How, then, can the new economic order enlarge people's opportunities to exercise moral choice over the use of their savings?

First, better information will again play an important part. Companies and other enterprises seeking investment funds will have to be more open about the social and environmental impacts of their activities.

Second, investment advisory services, like consumer advisory services, must develop an ethical dimension. Existing investment advisory services should extend their advice into the social and environmental impacts of the investments on which they advise. New financial advisory services specializing in these aspects of investment should also be encouraged to set up to meet the growing demand.⁶

Third, banks, unit trusts, building societies and other institutions that borrow or invest people's savings must respond too. Existing investing institutions should be encouraged, by the changing demands of savers, to help people to invest their savings in socially and ecologically benign enterprises and projects. New investment institutions, some of a co-operative character, should be encouraged to specialize in this.⁷

Reviving the Household Economy

The household economy straddles the formal and informal sectors, in the sense that some of its activities bring in money, such as the work of a self-employed person working from home, whereas others do not, such as cooking, looking after the children, mowing the lawn, and so on.

In general, the prevailing assumption today is that the household makes no productive contribution to the economy.⁸ What is done at home does not qualify as proper work—"I'm only a housewife"—and while sexist commentators see the housewife as the representative consumer, no one regards her as the representative producer or worker or investor. Home economics is not thought a fit subject for conventional economists, nor household management a fit topic for professors of management. The household is seen as a place for consumption, sleeping and recreation. Even in these non-productive spheres, the replacement of activities within the household by activities outside it is seen as a mark of progress. Conventional economists assume that people who eat in restaurants, sleep in hotels and enjoy leisure activities outside the home are economically more advanced than people who do those things at home.

In pre-industrial times this was not so. The productive lives of men and women centred around their homes. It is only in industrial societies that people have been brought to think that the work of the world is done in workplaces provided by employers and that the economy is "out there". The post-industrial economy must revive the economic importance of the household and enable people to recover control of their own means of production in their own homes. The household must become, and be accepted as, a centre of paid and unpaid work, of learning, of caring, and of conservation—all of which must be recognized as economically important and valuable.

A trend in this direction is already apparent. More self-employed people are working from their homes. So are more employees, including telecommuters linked to their firms by a telephone, a personal computer and an office desk at home.⁹ Up-to-date capital equipment in people's kitchens and utility rooms enables people to reduce their dependence on services, like laundries, provided from outside the home. A growing readiness to recycle waste—paper, glass, tins, compost, etc.—is evident. This will turn the household into a centre of conservation, once the facilities become more easily available.

Because this trend runs counter to mainstream economic practices and values, its significance is disputed by those with a vested interest in the continuation of conventional employment as the normal form of work. It needs to be positively encouraged. The need for new ways of distributing

incomes and for a wider distribution of capital have already been mentioned. But other measures will be needed to remove the present bias against the household economy, and give it positive support.

These will include changes in:

- planning and building regulations, which now discourage economic activities in people's homes;
- the present tax system which allows firms but not households to charge their costs against tax—(see Chapter 10 on the need to replace taxes on personal incomes and corporate profits by taxes on land, energy, resources and pollution);
- policies on incomes and benefits which now push people into seeking outside paid work and discourage them from unpaid work in their homes (see Chapter 11);
- the present approach to land use, housing and architectural design, which allows little space for productive facilities in and around people's homes;
- the general cultural and educational assumption that activities carried out in the household have less value than the same activities carried out in so-called "workplaces" elsewhere. (A comparable assumption at the national level is that import/export trading is superior to production for the home market.)

These ways of reducing the present bias against the household economy can be supplemented by more positive measures of support for the household in its economic role, matching the types of support provided for business and industry. These could include:

- encouraging research and development (R. and D.) on products, materials, equipments and technologies designed for productive use in the household economy;
- providing more effective incentives and better facilities to encourage conservation and recycling in the household;
- providing management education and training geared to household needs;
- developing and disseminating financial and accounting techniques for the household economy;
- humanizing the "enterprise culture" by recognizing the valuable role played by "lifestyle entrepreneurs"—enterprising people who commit their energies and skills to providing themselves and their families with a healthy, conserving and humanly satisfying way of life rather than to routine employment or to financial or career ambition.

Reviving the Informal Economy¹⁰

In the strict sense of the term, the informal economy covers activities not involving money, in contrast to the formal economy which covers activities involving monetary exchange. The distinction is the same as that between:

- production for use, directly to meet the needs of the producer or the producer's family, friends and neighbours, without any payment taking place; and
- production for exchange, when a product or service is produced to be sold.

Much of the activity of the household economy falls within this definition of informal economic activity, but not the money-earning activities of employees or self-employed people working at home. Much informal activity also takes place outside the household, for example between neighbours and between family members living in different households. (A different meaning is sometimes given to the informal sector as the small enterprise sector, in contrast to the sector occupied by big business corporations, government agencies, financial institutions, trades unions and other major players in the national and international economic leagues. That distinction is directly relevant to the future of local economies, discussed in Chapter 5. But it is not the distinction we are concerned with here.)

Economists since Adam Smith have assumed that the informal economy can be ignored, both theoretically and practically; that "after the division of labour has once thoroughly taken place" we must all be largely dependent on paid activities for the necessities of life; and that formal economic activities which can be measured and counted in money values are the only ones that really matter. Although economists have recognized that if, for example, a paid housekeeper becomes the unpaid wife of her employer, her work in the household will not necessarily become less valuable, they still regard the transfer of activities from the informal into the formal economy as one of the marks of economic progress.

In laying the foundations for a new, 21st-century economic order, we must insist that:

- the enlargement of the formal economy at the expense of the informal has gone too far, with results that are damaging to both;
- a revival of the informal economy is necessary and possible.

There are three main reasons for reviving the informal economy.

- First, informal economic activities can contribute directly to people's general economic wellbeing and to the solution of specific problems, such as unemployment, pressure on social services, and conservation and efficient resource usage.

- Second, informal economic activity can liberate people from undue dependence on the institutions of business, government, finance, welfare and the professions, thus enabling them to deal with those institutions from a position of greater strength.
- Third, enabling people to undertake informal economic activities, which reduce their dependence on the formal economy, will allow the formal economy to perform its essential tasks more effectively. If business corporations and government agencies and other large organizations are expected to organize work for everyone, provide welfare for everyone, and meet people's every need, they cannot be fully efficient or competitive in their most important function, which is to produce and market the kinds of products and services that only they can provide. If the hospitals, doctors and nurses of the formal health services are expected to administer all the care that everyone needs, they will not be fully efficient at what we really need them for, which is to provide the kinds of treatment and care that only they can provide.

Some of the measures needed to revive the informal economy have already been mentioned—a new approach to the distribution of incomes which reduces people's dependence on paid work, a wider distribution of capital, and support for the household economy. New methods of evaluating informal economic activities will also need to be developed. This is one aspect of the radical reform of existing economic indicators and statistics which is needed to fit them for an enabling and conserving economy.¹¹

Men, Women, Children and Older People

The prospective revival of the informal economy and of the household as a centre of economic life raises important questions about the economic roles of men and women.¹²

As the industrial age developed, the split between men's work and women's work widened. Typically, the man became the breadwinner going out to work, while the woman stayed at home unpaid looking after the household and family. The formal economy became the sphere of men, and the informal economy became the sphere of women. In attributing higher status and greater importance to the formal than the informal economy, conventional economic thinking has reflected the corresponding imbalance in status and power between men and women.

For many years women have striven for greater equality of opportunity in the formal economy, with some but by no means yet complete success. But they still shoulder a disproportionate share of responsibility and work in the informal economy. That burden makes it more difficult for them to compete

on equal terms with men in the formal economy. The 21st-century economy must be so organized that men and women will share more equally than today the opportunities and responsibilities of both the formal and informal economies. Among the changes that can contribute to this are:

- treating men and women as individual taxpayers on a basis of equality;
- "equal opportunity" measures in the formal economy;
- a basic income scheme (see Chapter 11);
- the revival of the household and informal sectors, as just discussed.

The first two of these will contribute to greater equality in the formal economy. The last two will contribute to greater equality in the informal economy, by encouraging and enabling men as well as women to spend time and energy in productive informal activities.

Today's assumptions about the economic roles of children and old people are also now out of date. In the 21st century it will make no sense to suppose that there is a "working age" of from, say, sixteen to sixty-five containing everyone who is expected to be "economically active", that those on either side of it have no useful contribution to make to the economy, and that therefore they must be regarded as economic dependants. This is particularly obvious at the older end, as increasing numbers of people remain active after retirement. But, as young people's education becomes increasingly intertwined with real-life productive and caring activities, as it should, the same will apply to them too.

In the twenty-first-century economy at least some of the artificial demarcation lines should be removed that now categorize children and older people, together with other people not in employment, as economic dependants. One way of doing this will be to transform today's child benefits and state pensions into basic incomes for children and older people, thereby bringing them into the universal basic income scheme to be discussed in Chapter 11.

Notes and References

¹ The significance of this formal/informal duality in economic life is much more widely appreciated today than it was ten years ago. For fuller discussion see *The Sane Alternative* and *Future IVork* and the many references in them to this topic.

² See Kathleen Newland, *The Sisterhood of Man*, Norton/ Worldwatch, 1979, p. 130.

³ In its fortnightly paper *Utusan Consumer* the Consumers' Association of Penang (87 Cantonment Road, 10250 Penang, Malaysia) regularly includes campaigning items—for example against logging in Sarawak. In *Consumer Currents—ten* issues yearly from IOCU, PO Box 1045, 10830 Penang, Malaysia—the International Organization of Consumers' Unions brings together news items relevant to consumers' interests in the Third World and elsewhere, including many campaigning items relating to social justice and the environment such as the Bhopal gas disaster.

⁴ In Britain, John Elkington and Julia Hailes brought out their *Green Consumer Guide*, published by Gollancz, to coincide with Green Consumer Week, in September 1988. In 1989 two new consumer magazines have been launched to help readers to use their spending power to create a better world: *New Consumer* (18 Northumberland Ave., Newcastle-upon-Tyne NE3 4XE); and *Ethical Consumer* (ECRA Publishing, 100 Gretney Walk, Moss Side, Manchester M15 5ND).

⁵ A number of food co-operatives, specializing in wholefoods, have been set up in recent years in Britain and other countries on an explicitly ethical basis. A good local example where I live is called First Fruits. Longer established and better known is Daily Bread in Northampton. The Seikatsu Club in Japan, with over 150,000 households as members and 700 full-time staff, has enough clout—as I heard from one of its managers—to persuade manufacturers of consumer goods to modify their products in accordance with its members' environmental criteria.

⁶ In Britain the best known example today is Ethical Investment Research and Information Service (EIRIS), 9 Poland Street, London W1V 3DG.

⁷ British examples that have been in business for some years now include the Ecology Building Society, Mercury Provident Society, and the Stewardship Fund of Friends Provident.

⁸ There is really no excuse for this any longer. Already in 1975 Scott Burns, *The Household Economy*, Beacon Press, showed convincingly that the household is the strongest and most important economic institution in the USA.

⁹ Francis Kinsman, *The Telecommuters*, Wiley, 1987.

¹⁰ For a fuller discussion, see *The Sane Alternative* and *Future Work*. Also Graeme Shankland, *Wanted Work*, Bootstrap Press, N.Y., 1988.

¹¹ Victor Anderson's book on *Alternative Economic Indicators*, written for the New Economics Foundation, will be published by Routledge in 1990.

¹² Also see Sheila Rothwell's contribution on "Flexible Working Patterns" in Paul Ekins, ed.. *The Living Economy*, RKP, 1986.

5

Places

This chapter is about the economies of particular places—the local economies of cities, towns, rural districts and villages. How can local economies be enabled to become more self-reliant, less dependent on the national and international economy, and therefore less vulnerable to decisions and events outside their control? How can they become more conserving?¹

Everyone participates to a greater or lesser degree in a local economy, just as everyone participates to a greater or lesser degree in a household economy. But, until very recently, the role of local economies, like the role of household economies, has been largely ignored by the prevailing economic orthodoxy. Economic policy-makers and theoreticians have relegated localities, like households and families, to the realms of social and environmental policy and theory.

Moreover, just as people and households have become economically dependent on outside employers, suppliers, financial institutions and welfare agencies, so have places. Local economies throughout the industrialized world have become largely dependent on outside employers to organize their work, on outside suppliers to supply their needs (for food, energy, clothing, shelter, entertainment, and so forth), on outside banks, insurance companies and other financial institutions to meet their financial needs, and on outside social service agencies to provide for their health and welfare. Meanwhile, the conventional path of top-down, trickle-down development in the Third World has had the same effect.

For the quarter of a century of sustained economic growth and full employment after the Second World War this may not have seemed to matter very much, at least in a material sense. But in the 1980s the economic vulnerability of many formerly flourishing cities and regions in the industrialized countries became all too apparent. So did the collapse of rural local economies in many Third World countries, leading to famine, or a massive influx of poor people into the cities, or both.

A revival of more self-reliant local economies must be a key feature of the 21st-century world economy. Although this chapter draws mainly on recent experience in industrialized countries, the conclusions apply equally to local development in Third World countries. The material, social and cultural conditions in those countries are very different, and the problems of absolute physical poverty are much more acute and widespread. But the principle of more self-reliant local development, and many practical applications of that principle, are equally valid for people in rich and poor countries alike. To turn any economy which creates local dependency into one that enables self-reliant local development to become the norm, calls for similar changes in psycho-social outlook, economic and financial organization, and political and social power structures.

Although (see Chapter 2) the terms "locality" and "local economy" cannot be at all precisely defined in population size or in geographical area, this need not rule out more self-reliant local development. The same is true of the terms "nation" and "national economy". Iceland and Seychelles are very different from the USA and the Soviet Union. Yet all are nations with national economies. The local economy of a large conurbation will be different in many ways from that of a remote rural area. A local economy will often correspond to a local government administrative unit, such as a city. But smaller areas like villages or neighbourhoods may also be total economies in their own right, if local people think of them as such.

As the importance of enabling and self-reliance as a two-sided principle of economic development becomes established, together with an understanding of the world economy as a multi-level system ranging from the world economy itself to the billions of individual people of whose economic activities it consists, it may be found helpful to think broadly in terms of a hierarchy of local economies (like Chinese boxes within one another)—consisting very roughly of, say, 2,000,000, 200,000, 20,000, 2,000, 200, and 20 households. Any one, or more, of these different levels of subnational economies may, depending on particular circumstances, have some potential for greater self-reliance. For the next few years the practical priority will be to enable more self-reliant local development to proceed in places where it is most clearly needed and where a sense of local identity is strongest. These priority areas will particularly include deprived urban and rural localities where today's economic order has created crisis conditions.

Encouraging Homegrown Local Economies

Until quite recently city governments and other local government authorities, in most industrialized countries with the exception of the USA, had no

responsibility for local employment or the local economy; the tasks of local government were primarily social (e.g. education, social services, housing) and environmental (e.g. planning, waste disposal). But in the last few years in most of these countries, with the active encouragement of international bodies like the EEC and OECD, local involvement in local economic policy-making has been developing step by step in response to the problem of local unemployment.

The first reaction of most local authorities to rising local unemployment was to consider how they could attract new outside employers into their locality to replace firms that were withdrawing or closing down. That approach is still being pursued in many places. But, even to conventional economic thinkers, it is now apparent that "smokestack-chasing" and "chip-chasing" mean expensive inducements to incoming employers, who sometimes withdraw from the locality once they have reaped maximum benefit from the incentives they are given; that the best of the new jobs thus created often go to incoming outsiders rather than local residents (as indeed does the best local housing); that incoming firms often continue to use their existing sub-contractors from other localities, thus creating little new local employment; that this approach tends to perpetuate local vulnerability to economic decisions taken elsewhere; and that, even if it does succeed in creating some new jobs, bringing in new outside employers cannot create enough local jobs to solve the locality's problem.

In the last few years, therefore, increasing numbers of localities have begun to encourage the creation of genuinely local initiatives to organize local work to meet local needs with local resources. Many local authorities throughout the industrialized countries have set up investment funds and loan funds, economic development units, and enterprise agencies for this purpose, and have introduced new purchasing policies that favour local enterprises.

A good example has been the Homegrown Economy project in the city of St Paul, Minnesota.² Under this project, as described by the Mayor's office,

"job creation remains an important goal, but the project broadens the focus by emphasizing the most efficient management of all local resources. Its goal is to extract the maximum value from the community's human, natural and technological resources. Its aggregate results will be significant increases in local wealth, added employment, a more diverse and resilient economic base, increased citizen efficacy, and a self-reliant orientation among St Paul's institutions."

In supporting new enterprises, emphasis is given to local ownership, diversifying the local economy, direct benefit to the local community in terms of the products and services offered, and other criteria related to local economic self-reliance. A local fund to provide local venture capital at rates of return lower than the prevailing market rates has been supported by the investment portfolios of a group of local insurance companies—which recognize that they have a direct economic stake in their own local

economy—as has a revolving fund to provide loans to businesses that meet the Homegrown Economy criteria.

One aspect of 21st-century economic development must be a systematic approach to local economic development on "homegrown economy" lines. This will involve campaigns and constructive action by local people in all types of local areas—urban, rural, and mixed rural/urban. It will mean working out in each locality:

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

The financial aspects are further discussed later in this chapter and in Chapters 9 to 12. In non-financial terms

- more self-reliant local economic development will involve many households and many neighbourhoods becoming places where goods and services are produced by the residents for themselves and one another; and
- in most districts and cities, counties and regions, it will involve a degree of local import substitution, i.e. some replacement by locally produced goods and services of goods and services now coming in from outside.

This will affect the production and distribution of food and energy, patterns of industry and employment, the role of education in the local community, planning and housing, and many other aspects of economic life.

Take energy as an example. Increasing numbers of households and organizations will be able to limit and even reduce their dependency on external sources of heat, light and power by adopting modern conservation methods and by supplying some of their own energy needs themselves, e.g. by the use of heat pumps or solar panels. Modern decentralizing energy technologies will enable cities and other local communities to do the same. Possibilities include combined heat and power (CHP); using urban waste as fuel; and—a North American example from a predominantly rural district—paying otherwise unemployed people to cut wood from otherwise unused local woodlots for use as fuel in a small local power station, so reducing both the outflow of local money spent on electricity from a nuclear power station in a neighbouring province, and the cost of paying benefits to unemployed local people.

One need, then, is for in-depth studies of the economics of local decentralization. In the case just mentioned, nuclear engineers and their

economists can produce calculations, based on their assumptions of relevance and their criteria of efficiency, to show that local energy production is "uneconomic". But, from the perspective of the local people, using criteria which relate to the efficiency of the local economy considered as a whole, it can equally convincingly be shown that local dependence on external energy sources is uneconomic. It all depends on the perspective. In the 21st-century economy the local perspective must be preferred, or at least given equal weight.

Another need is to identify existing obstacles, prohibitions and discriminations against greater local economic self-reliance, and campaign for their removal. Examples will include planning procedures, and subsidies and incentives of many kinds, which now favour large nationally based organizations against small local enterprises—for example hypermarkets against small local shops.

Investing in Local Self-Reliance

Local economic development requires investment in the locality. Is this to come from outside or from within the locality itself? An integrated approach, involving a combination of the two, is desirable. But each presents a serious problem, which leaves a dilemma to be resolved.

Reliance on outside commercial investment to stimulate local development has an inevitable consequence. The outside investment has to earn a return, in the form of money paid out in future years from the locality to the outside world. This means that regular flows of new money have to be brought into the locality to match the money being paid out, and this requires an increase in exports out of the locality in order to generate the new outside earnings. So new external investment inevitably makes a locality more dependent than it was before on earnings from products and services exported to the outside world—as well as usually increasing its dependence on employment created and controlled from outside. And this is precisely not what self-reliant development is about. To avoid this problem, outside investment in local economic development must be made in a form which requires no new export earnings to service it or pay it back—in other words, external investment must be made either as a gift or grant to the local economy, or as "immigrant" investment in the sense that neither the investment itself nor the earnings from it will subsequently be taken out of the local economy but will be spent and reinvested within it.

The nature of the problem can be seen more clearly if we look at external investment in a Third World country's development. In this case, external loans and investments have to be serviced and repaid in foreign exchange. By their nature, therefore, they cannot be used to reduce the recipient country's dependence on foreign exchange earnings. They have at least to generate the extra foreign exchange needed to service and repay them. The

imposition of a necessity of that kind is the reverse of self-reliant development. Self-reliant development involves producing homegrown substitutes for imports, which reduces the need to earn foreign exchange.

In the case of a locality, foreign exchange is not involved. So what is happening is not quite so obvious. But the principle is exactly the same. External commercial investment cannot be used to enable a locality to achieve a significant degree of economic delinking from the larger national economy of which it is part. And that is what more self-reliant local development is about.

However, there is also a problem about a strictly self-reliant approach to local economic development. That would mean relying wholly on locally generated capital for the investment in local productive capacity that is needed to make import substitution possible. But the very places where this approach is most necessary are likely to be those where local capital is least available and where local investment facilities are least developed. The local mobilization of local savings on the required scale may be difficult without outside help.

So there seems to be a dilemma—either investment in dependency-generating development based on export-dependent growth, or no investment in local development at all. How is this to be resolved? It can only be resolved by one form or another of socially directed investment.

Socially directed investment in local self-reliance is investment in the capacities of local people, to enable them to do more for themselves and one another. In other words, it is investment to create local social wealth. Conventional economic investment aims to create a direct financial return for the investor. In socially directed investment, the investor is concerned primarily with non-financial objectives rather than with maximum financial return. The need for new opportunities for people to direct their savings into socially benign enterprises and projects was discussed in Chapter 4. Investment in self-reliant local development is one example of socially valuable investment into which people and organizations might wish to direct their funds, if given the opportunity.

Some of the potential sources of socially directed investment in local economic self-reliance are outside the local economy. Others are within it. Potential external sources include agencies of national government. An example might be a national health department mounting a programme of expenditure on local public health and health promotion that will genuinely enable a locality to become less dependent on nationally supported health services in future years. Potential internal sources include local residents and local organizations, including local government agencies. There are many ways in which they might be prepared to invest some of their money to develop and improve their own locality if the facilities existed for doing so,

rather than investing it in ways that mainly benefit other places. And experience shows that poor people, especially in Third World countries, are prepared to save—through credit unions or similar co-operative types of savings institutions—for investment in their own economic future, if they are given opportunities to do so.

An important task for the 1990s is to develop the concepts and practicalities of socially directed investment in local self-reliance, including:

- new priorities for national government spending on local programmes, and
- new financial facilities for channelling local savings into local investment.

The Third Sector

The importance of socially directed investment in local economic development is connected with the fact that the local economy is largely a socio-economy. A third, socio-economic, sector plays a vital part in the local economy, alongside the commercial (or "private") sector and the government (or "public") sector. This third sector consists of large numbers of small enterprises, many of which have mixed social, environmental and economic objectives. (Some people call this the informal sector, in contrast to a formal sector defined as consisting of large commercial and government enterprises and organizations. But it should not be confused with the unpaid activities of the informal economy more strictly defined as in Chapter 4, although it does interlock with them at many points.)

The socio-economic dimension of the local economy cuts across one of the assumptions underlying today's conventional economic thinking—the assumption that there is a clear divide between the economic and social aspects of life. Economic policies and activities are supposed to be concerned with wealth creation, and social policies and activities are supposed to involve wealth consumption. From this it is argued that economic wealth-creating activities must be given priority over social welfare-creating but wealth-consuming activities. From this in turn it is argued that, if the needs of the poor are to be met, the demands of the rich—the "wealth-creators"—must be given priority over them.

An important conceptual task for the 1990s is to unravel the web of metaphysical confusion and mystification that business and financial interests have woven around the notions of wealth creation and wealth consumption. The fact is that the nearer one comes to the realities of actual people's lives, the more artificial the distinction between the economic and social aspects becomes. It is obviously artificial within the household economy. But it is nearly as difficult to sustain it at the local level of the economy, especially in urban priority areas and other disadvantaged localities. As noted in Chapter 2, in such places the need for improved housing, health, education, job prospects, and incomes, and above all an improvement in the capacity and

confidence of local people to do more for themselves, is clearly a single constellation of need. It is not a collection of distinct and separate needs to be met in distinct and separate ways, some of them economic and some social.

The practicalities of this comprehensive—or, as some would call it, "holistic"—approach to local economic development were explored at a New Economics Foundation conference on "Converging Local Initiatives" in July 1987. Among our conclusions were that it was becoming increasingly important:

- to provide enabling, rather than dependency-reinforcing, forms of local support and incentives for family care and community initiatives;
- to encourage community architecture, housing associations, health initiatives, information centres, education initiatives, and leisure initiatives—each for their own sake but also as possible starting points for a wider range of grass-roots community initiatives on which local communities can be built;
- to encourage community initiatives in recycling, conservation, city farms, horticulture and energy saving, as steps towards developing more resourceful and conserving communities;
- to enable policy-makers and professionals to help community groups with local projects that cut across sectoral boundaries (employment, health, housing, leisure, etc.);
- to develop techniques of social accounting and social audit in order to measure the benefits produced and the costs saved by community businesses and other local community initiatives;
- to evolve an effective financial and administrative framework for supporting community initiatives;
- to shift the emphasis in public sector social spending from programmes that deliver dependency-reinforcing services to programmes which enable local communities to meet more of their own needs;
- to adapt the structures and procedures of central and local government to their increasingly important functions as enablers of community enterprises and initiatives;
- to expand the role of the voluntary sector, including churches and charities, in local regeneration;
- to enable trades unions to play a positive role in community initiatives;
- to develop management education for community enterprises and initiatives, recognizing the crucial role of social entrepreneurs whose enterprise is committed not to making money for themselves but to creating social wealth.

Each of these needs is a need for social investment, or—to put it another way—for investment in the local socio-economy.

The Economic Role of Local Government

In the 21st century the role of local government in the local economy should be comparable to that of national government in the national economy. This will contrast with today's situation, where the national government has responsibility for all local economic matters and local government is responsible only for specific functions delegated to it.

The economic role of local government must be to provide a context which will enable local economic activity to be more self-reliant and more conserving. As part of this enabling role, local government should foster more self-reliant household and neighbourhood economies. Just as individual consumers and savers (see Chapter 4) should have more opportunity to channel their money into support of causes they favour, so democratically elected local authorities should be expected to use the collective purchasing power of local people to foster the local economy. It is wrong, as under the Thatcher government in Britain and as proposed for the European single market in 1992, for national and supranational authorities to prevent local authorities from acting thus in the local economic interest if they wish to do so. Indeed, local authorities should be positively encouraged to contract out to local community-based enterprises the delivery of its services to the communities concerned. "Community contracting" of this kind will often be preferable to commercialization (commonly miscalled "privatization") as an alternative to the delivery of local authority services by public service employees.

As part of its local framework, the enabling and conserving economy of the 21st century will need an appropriately designed and coherent system of local taxation, expenditure, and finance. This is one of the topics discussed in Chapters 9 to 12, but the principles on which it should be based include the following:

- local government should not depend heavily on grant-in-aid from the national (or, in the case of the European Community, supranational) government; functions should be distributed between national and local government so as to enable local government authorities on average to raise all the expenditure they need;
- local government authorities should develop new methods of financing their expenditure, by local taxation, local borrowing and other forms of local financing based on new or existing financial institutions;
- the national government should make some redistribution of the national income from richer to poorer localities;
- built into these arrangements should be provisions which provide local

economies with a degree of shelter from the full rigours of national (and international) competition and give some encouragement to the meeting of local needs by local work and the use of local resources.

In Chapter 7 I suggest that the third and fourth of these principles should be applied in the international economy too, as a basis for free and fair trading relationships, and for a redistribution of income, between different nations. Study is needed of the feasibility of doing this by levying a uniform international tax on imports and on exchanges of currency—thus discriminating uniformly against import/export transactions—and by distributing the proceeds of this tax to all countries on a per capita basis. But at the local level a uniform, nationally administered import tax—as a basis for free and fair trading relationships, and for redistributing income, between the constituent local economies of a national economy—would hardly be feasible in the absence of local customs barriers.

So what arrangements could provide local economies with a uniform degree of built-in protection against competition from outside, and of built-in discrimination in favour of locally produced goods and services? This is an important question for clarification during the 1990s. Local taxes, local public spending programmes, local banking and local investing agencies, and perhaps even local currencies or quasi-currencies—e.g. for use in local payments to and from the local government authority—may all contribute to the answer, as is suggested in Chapters 9 to 12.

Other Actors in the Local Economy

Meanwhile, there is much that other actors in the local economy can do. Local workers can express a preference for local work. Local consumers can press the companies and shops from whom they buy to employ local people, to prefer local suppliers and generally to make sure that they put as much money into circulation in the local economy as they take out. Local companies and other organizations can voluntarily adopt employment and purchasing policies that have these results, and they can publish information about it. Local savers can seek ways to invest locally. Local volunteers in a whole variety of fields can work and campaign for local resources of all kinds to be used—and conserved—more effectively. Throughout the local economy, social choice in favour of local workers and local products and local services can modify strict financial maximization as the main criterion for economic decisions. The developments outlined in Chapter 4 under the headings "purposeful consumers" and "purposeful savers" will make it easier for local individuals, and therefore also for local organizations, to express their local preferences in this way.

Cities and Countryside

Finally, the accepted relationship between urban and rural economies and their development must be seriously questioned in the 1990s.³

Since cities first came into existence they have dominated the countryside and sucked wealth out of it. During the industrial age their economic, as well as political, predominance has grown. Following the industrialized world's example, Third World countries have sought economic progress by favouring urban at the expense of rural development. The resulting displacement of population has helped to create today's urban and rural crises in the Third World, at the same time as the waning of the industrial mass-production economy has created today's urban crisis in the West. The conventional economic approach to city and countryside, to urban and rural development, will have to change. Paradoxical as it may seem, solutions to today's urban problems may depend on a new, more positive approach to development in rural localities, in industrialized no less than Third World countries.

In industrialized countries the economic, social and cultural conditions of "rural idiocy" to which Marx drew attention in the 19th century are now disappearing, as a result of modern technologies and better communication and access to information. It is urban idiocy that is now becoming harder to endure, as cities become less pleasant and less economic places to live in and work in, and as city people become more conscious of their exile from the real world of earth and sky and seasons, and of soil and plants and living creatures, to which human beings belong. And yet financial resources—and therefore physical resources—continue to be channelled into economically unsustainable cities, especially capital cities, to keep the political, professional, managerial, financial and other white-collar elites working there, and to increase the already excessive property values and traffic congestion there. The full economic and social costs of this badly need to be documented.

Documenting them will help to open up a new prospect for the 21st-century. This will be for a greening and villaging of the cities from which the old industrial jobs have gone, and a further shift of population out to country towns and rural areas. More self-reliant, more ecologically conserving, cities will then be able to evolve, accompanied by more diversified development of rural economies, based on manufacturing, services, information and leisure occupations, as well as-food production.

For many Third World countries the need for a similar shift in development priorities and for a new urban/rural balance is even more pressing. A viable long-term future for many of today's already over-crowded and rapidly growing Third World cities will largely depend on giving priority to effective rural development, and making it more attractive for people to live in rural areas instead of swamping the cities.

Notes and References

¹ My perceptions of what now needs to be done to establish local economies as economies in their own right have been influenced by, among other things:

- working with David Cadman for the E.E.C. and O.E.C.D. in 1985 on finance for local employment initiatives;
- organizing a conference for the New Economics Foundation in July 1987 on converging local initiatives (see *New Economics*, Winter 1988);
- participating in the World Health Organization's recent work on healthy public policies and in the first U.K. Healthy Cities conference in March 1988; and
- chairing an international working group on rural and urban development at a conference organized by the World Futures Studies Federation and the Chinese government in Beijing in September 1988.

It would be possible to fill several books with notes and references on the various issues discussed in this chapter. So what follows is very selective.

- For background, the chapter on "Local Economic Regeneration and Cooperation" in Paul Ekins (ed.) *The Living Economy*, RKP, 1986, and the relevant chapters in Guy Dauncey, *After The Crash*, Greenprint, 1988, are valuable.
- Ward Morehouse (ed.). *Building Sustainable Communities*, Bootstrap, New York, 1989, deals with specific aspects of "third sector" development.
- My paper on "The Economics of Local Recovery" for The Other Economic Summit in 1986 (obtainable from New Economics Foundation), my article on "How the Cities Can Finance New Enterprise" in *Lloyds Bank Review*, July 1986, and index references to "local economy" in *Future Work* are also relevant.

² David Morris, whose *The New City-States*, Institute For Local Self-Reliance, Washington, 1982, stimulated my own thinking at that time, has been playing a major role in the St Paul "homegrown economy" project.

³ David Cadman and Geoffrey Payne (eds.). *The Living City*, Routledge, 1989, based on the proceedings of a conference organized by the New Economics Foundation, is relevant.