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a CED backgrounder on

ALTERNATIVE ECONOMICS

Rajni Bakshi
Centre for Education and Documentation
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Cover Photograph
A note of the community currency, called 'BREAD', operating in the locality of the University of California, Berkeley campus.

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Preface

As activists and social workers, and movements and NGOs, we often find ourselves fighting a losing battle. Often, we are part of agitations where mainstream development will finally have its way. Thus we feel the full force of the conviction, aggressively promoted by Margaret Thatcher, that “There Is No Alternative” (TINA).

The theme of the World Social Forum gatherings in Porto Allegre, and now the Asian Social Forum of Hyderabad, is “Another World Is Possible”. Yes, there are a wealth of diverse experiments and initiatives that are actually giving shape to TAMA. There Are Many Alternatives.

“In India too, there are several new experiments in the making. Most of them are small initiatives which seem to operate in a cocoon, more like museums.

Given the infiltration of modern technology and markets, many NGOs who are working on alternatives have gone back to traditional age old technologies — a kind of fundamentalism. This is because these bear most of the enduring values of conservation. They are sometimes imagined to bear values of autonomy, equity and justice. Alongside they propose an ascetic mode of life to both activists and the people. The activists are therefore fewer and far between, and the people are hungering after the only dream they know — one that has been fed by the media.

Modern formulations of conservation like Permaculture, Intermediate Technology, as well as decentralised economics like the LETS system, are waiting for Indian versions to take root.”

1 The Long & Winding Road from Structural Change to Structural Transformation: A backgrounder on NGOs and People’s Movements by Walter Mendoza & John D’Souza, CED, 2002. (CED Ref: B.G.40.M62 Available at CED Rs. 250/-)
This publication is actually a trailer, specially made for the Asian Social Forum meet. It is meant to introduce you to some of the ideas on New Economics, which we believe provide the theoretical and practical basis for an alternative political economy. First we discuss premises of new economics and its critique of current capitalism. Then we look at the function of money and examine the premises and activities of local currencies, which help develop decentralised and people friendly economy. Then we look at efforts to create strong self-reliant local economies.

Like we said this publication is just a trailer, to help you get started. The main idea is to give you a telegraphic introduction to some of the ideas. We are working on a fuller backgrounder, which will be more comprehensive. Still in this volume, we have given references so that you can read further. Most of these are available in CED's library. Some of them have been put on CED's Extranet. We have also listed some of the websites, where you can get more information.

This essay is compiled mainly from various articles by Rajni Bakshi in The Hindu. The articles are:
Economics as if people mattered, May 14, 2000
Redefining Progress, December 12, 1999
Market Fundamentalism, September 24, 2000
Market as God, March 18, 2001
Market with a Difference, April 1, 2001
Reinventing Money, September 2, 2001
Making of Money, September 16, 2001
Community Currencies, September 30, 2001
Going Local, March 5, 2000

CED
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SECTION 1: TOWARD A NEW ECONOMICS

"Economics as if people mattered" is the inspiration for hundreds and thousands of protesters who have come together in passionate street-level protests all over the world in the last three years. The massive protest at the ministerial meeting of the WTO at Seattle in 1999 was soon followed by a "Spank the Bank" rally outside the IMF and World Bank a few months later, and then on to various capitals of the world.²

Here are people, says the international media, who are resisting the inevitable and 'natural' forces of economic globalisation. Most published photos of the protests show scruffy looking long-haired youth who look like the 'Hippies' of the 1960s. The protesters are presented as, at best, romantic dreamers more concerned with the preservation of turtles and dolphins than the progress of mankind. At worst, the protesters are accused of promoting narrow parochial interests.

This distorted picture is due to a virtual blockade by the mass-media, of the fundamental issues being posed by these protests. The street actions are a signal of the ideological battles which will dominate the first decade of the new century. The 'free' market mindset of Wall Street is now being challenged by those who simultaneously reject Adam Smith and Karl Marx.

These protests are a response to the pain inflicted on millions of people by both the State and the 'market' in the name of development and progress. This was apparent at a public hearing in Mumbai, in April 2000, where people, most of them Adivasis, spoke of losing their lands and livelihood because of various development projects. They came to ask the political and business elite: Why are development projects 'for the larger common good' so destructive for them? Are they not part of those included in 'common good'? Why is it that subsidies for the poor are being abolished but the government offers many hidden subsidies to the large corporations which undertake such projects?

The struggles in village India and on the streets of Washington D.C. tie up with over three decades of intellectual work to re-invent and redefine

² For news clippings on Anti-Globalisation Movements and Campaigns see CED file No U00f.
economics beginning with British economist E.F. Schumacher. A wide range of academics and activists all over the world have been engaged in working out just how equitable and sustainable structures of production can be created. Many of them are inspired by the Buddhist concept of Right Livelihood, which means meeting your material needs by means which respect the needs of other people as well as non-human life forms. The practical work of many alternative groups all over the world shows that this is not some pure, dream-world ideal. It is however true that this vision is unattainable within the existing global economic order.

The present global economy is most efficient at transferring wealth from the many to the few, argues David Korten. The answer, pleads a wide range of humanist activists, is to once again reaffirm that “Life is about living, not consuming.”

This means challenging some of the basic negative assumptions on which both capitalist and socialist economics are based. James Robertson lists some of the assumptions that need to be debunked:

- Humans are selfish individuals bent on maximizing their own satisfaction;
- Satisfaction comes from consuming;
- People’s needs are expressed in terms of what they are prepared to pay for and how much;
- People are driven to maximize the monetary value of what they can get from economic activities.

Robertson, a former civil servant and leading activist of the new economics movement, says that twenty-first century economics will have to “recognise that, because human beings are moral beings, the basic questions about economic life are moral questions.” Such an economics would be a system of rights and obligations, risks and rewards which:

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

"This new approach will involve recognizing (that) people are not impersonal automatons, governed by the impersonal dictates of market or state. ...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" writes Robertson.

"Our common task is to replace the laissez faire model with some kind of new economics that takes care of everybody, the poor as well as the rich. Local people have to regain control of local resources and gear local economic systems to meeting local needs rather than the needs of the international market" argues Martin Khor6 of the Third World Network, a major Asian non-governmental organisation.

There is a growing demand for a very different kind of international trade regime, perhaps a General Agreement on Sustainable Trade. Healthy trade rules would permit import restrictions on goods produced in environmentally damaging circumstances. They would also include social clauses to protect basic workers' rights and address the most exploitative forms of child labor. In its present form the WTO does just the opposite.

The Other Economic Summit (TOES), an international forum for alternative economic ideas and practices, has been active since 1984. Much of its work is often criticised for not having concrete, ready-to-apply, solutions. But the undogmatic exploration of creative possibilities is actually the greatest strength of the global alternatives 'community'. "The laboratory for the future is out there in thousands of 'experiments'" says Trent

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6 Martin Khor has emerged as one of the leading activist-intellectuals in the campaign against the WTO version of globalisation and is also editor of the magazine Third World Resurgence. The Third World Network's website — www.tweside.org — has a wealth of information on new economics and related themes. "Globalisation and the South: Some critical issues" by Martin Khor; Other India Bookstore, 2001. [CED Ref: B.U00.K62]
Schroyer, the Program Coordinator of TOES. “Our focus is the innovative learning that is done by people and people’s organisations. We want to bring together the mosaic of successful alternatives that forms the basis for working alternatives to economic globalisation.”

A World that Works: Building Blocks for a Just and Sustainable Society edited by Trent Schroyer, The Bootstrap Press, 1997. Essays on alternative economic thought and practice. Gandhian economist Romesh Diwan shares stories of how some Indian communities have regained their rights to common land and built sustainable economic and social wealth by honoring “Enoughness.” Mahatma Gandhi explained “Enoughness” as the truth that “nature is compassionate and provides enough for the needs of all, but not for the greed of even one.”

Richard Grossman, of the Program on Corporations, Law, and Democracy, explains how US citizens gave up their sovereignty over corporations as courts turned artificial entities into “natural persons.” He suggests that it’s time for people to be accountable to future generations and take back their sovereignty.

Other essays describe how and why local currencies and micro-credit can build community and self-reliance; how global agreements – from GATT to climate treaties – end up undercutting local health and welfare; and how people are finding creatively for themselves, like the street-children who run a radio station in Port Au Prince.

(Taken from a review by Patty Cantrell, an independent journalist and alternative economist from:
http://www.futurener.org/Reviews/schroyer.html)
Redefining Progress

A human economy is supposed to advance well-being. But politicians and market wizards rarely talk about it in those terms. Instead they tend to talk of ‘expansion’ and ‘growth’ which is something very different. For over fifty years now the worth of nations has been measured according to their GNP or Gross National Product. This has been the basis for dividing the world into ‘developed’ and the ‘under-developed’ nations.

Yet, the concept of GNP can actually portray disaster as a gain because it is essentially a measure of money and products changing hands. For example, pollution is measured as a double benefit to the economy — once when a factory creates it as a side effect of production and then again when money is spent to clean it up. Similarly, divorce, crime and emotional distress cause money and products to change hands and thus add richly to the GNP.

Redefining Progress, a San Francisco based public policy organisation, is campaigning for a new measure of economic and social health. They call it the Genuine Progress Indicator (GPI). In doing this Redefining Progress is joining a growing chorus of voices that are pointing out that economic ‘growth’ does not always mean an increase in human well-being.

In 1989 even the President of the World Bank, Barber B. Conable, spoke of the inherent flaws in the concept of GNP. “Current calculations ignore the degradation of the natural resource base and view the sales of non-renewable resources entirely as income. A better way must be found to measure the prosperity and progress of mankind” said Conable.

Yet, the old-fashioned notion of GNP remains firmly in place as a measure of comparing the prosperity of nations. In India, in 2000, the leading industry body, Assocham, made a proud announcement that it

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7 Redefining Progress, San Francisco www.redefiningprogress.org
estimates that India is set to have the world’s highest growth in GNP in 2000-2001. This made headline news. At just about the same time, Amrita Patel, Chairman of the National Dairy Development Board, made a valuable suggestion which did not get headline attention.

Patel was delivering the JRD Tata Oration on Business Ethics when she urged that "The GNP of a country should more appropriately be referred to as the Gross Natural Product which regrettably is unaccounted for in our country's Annual Financial Budgets — a gross omission which makes these Budgets seriously misleading." This is because modern economic thinking equates wealth creation with the conversion of natural resources into cash. But cash is constantly depreciating. On the other hand, Patel pointed out, "what progressively increases in value, besides strengthening our economic foundations, are our finite and living natural resources."

So when the folks at Redefining Progress set out to evolve a new measure of prosperity, called Genuine Progress Indicators (GPI), they began by challenging Paul Samuelson’s pronouncement in his famous textbook that: "economics focuses on concepts that can actually be measured."

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* There must be Limits to Growth by Amrita Patel. Excerpts of the JRD Tata Oration in Humanscape. [www.humanscapeindia.net/Humanscape/hs0700/hs70012.htm; CED Ref:DW:NewEconomics/Amrita on Ethics].
Some Further readings


- Enhanced economic status of women and a proper power balance between the sexes.
- A solution to poverty through a guaranteed two income security for all.
- A foundation for the ending of National and Third World debt and the stimulation of economies and societies no longer in hock to outsiders.
- Deepened democracy because all individuals will have much greater control over their daily lives.
- An economic foundation for the voluntary control of population levels.
- Hope of a solution for two of the worst danger spots in the world — the Middle East and Kashmir.
- The existence everywhere of a practical basis for a new honesty, optimism and generosity of spirit.
SECTION 2: MARKET FUNDAMENTALISM

What is the difference between love and prostitution? One view is that prostitution is a valuable service because some people are willing to pay for it. But since love is not for sale it is worthless, in an 'economic' sense. This cliché is sometimes used to both describe and ridicule 'market fundamentalism'.

Unlike religious fundamentalism, this variety of fundamentalism rarely makes front page news. Yet there is an on-going, intense, sub-surface tussle about whether society should govern the market mechanism or markets should be allowed to mould society. Indeed, is there still scope for society to exercise political and cultural choices in the working of markets?

The term market fundamentalism refers to several assumptions on which the current global economic structure rests. One, a free market is the most efficient way to organise modes of production and exchange. Two, that the common interest is best served by everybody looking out for his own interests. Three, that virtually all social activities and human interactions can be looked at as transactional, contract-based relationships and valued in terms of a single common denominator; money. Four, that these activities are sufficiently regulated by the invisible hand of profit-maximizing competition.

Those who question and challenge these assumptions, tend to be dismissed by the powers-that-be as being ignorant, illogical and naive. Yet one of the most controversial challengers of this fundamentalism is George Soros*, an ardent capitalist who has made billions of dollars on the world currency markets.

Soros is mostly pointing out the obvious — that market values express merely what people are willing to pay each other in a free exchange. They do not reflect social and moral values which are essential to a

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Soros believes that capitalism can be effectively mediated by an "open society." Standards of "right" and "wrong" may change with technology and with social process; however, the involvement of the state in resolving conflicts, in a democratic society is inevitable.

civilised society. Like Social Darwinism, market fundamentalism tends to disregard altruism and cooperation. According to Soros, the world capital markets function in an amoral dimension and that's okay. But when the same rules come to govern all the rest of social and economic life, then civilisation itself is endangered.

The highly influential Japanese economist, Etsuке Sakakibara\(^\text{10}\), while he was still vice finance minister of Japan in January 1999, strongly agreed with Soros that the current variety of globalisation is unstable and thus unsustainable. The contemporary version of laissez-faire ideology or market fundamentalism, Sakakibara pointed out, has emerged in a context where economics has become devoid of history and society "as a dismal science mimicking natural science in its classical form. ... Instead of the economy being embedded in social relations, social relations are embedded in the economic system."

For example, today it is taken for granted that labour and land are commodities. But this was not always so. Things were different right up to the 19th century. Karl Polanyi's classic text\(^\text{11}\), "The Great Transformation", showed how capitalism succeeded in making the bounty of nature and people's work-energy into commodities. This subordinated the substance of society itself to the laws of the market, such as supply and demand. Thus the art of healing has become a commercial industry, education a matter of degrees that can be bought and rivers, mountains and now even clean air carry a price tag.

Polanyi's enduring insight, Sakakibara pointed out, is that markets are sustainable only insofar as they are embedded in social and political institutions which secure the moral and ethical quality of our lives. These institutions also serve three functions without which markets themselves cannot survive — they regulate, stabilise, and legitimate market outcomes.

The debate on these issues has been greatly aided by "For the Common Good" a book written by Herman Daly, an economist and former World Bank official, and John Cobb, a theologian. Daly and Cobb say that the individualistic model of economic theory, which dominates today, rests on


the assumption that benevolence is limited to the family and close personal relationships while self-love dominates all other human interactions. But, there is need to reassert that human beings are fundamentally social and this is the basic civilizational urge. This would mean seeing human beings not as self-aggrandizing islands but as ‘people-in-community’. Daly and Cobb press for an economics for community where the goal would be to provide meaningful and personally satisfying work as much as to provide adequate goods and service. This is an agenda to re-work not only modern economics but capitalism itself.

The Market as God

"The Market is a good that has been turned into a God — and that is a problem" says David Jenkins, retired Bishop of Durham in the United Kingdom. "If we can make the market our servant then the possibilities are immense...but the present form of market flourishes largely at other people's expense."

The search for alternatives includes a wide range of people from all walks of life in countries across the world. The basic concern is: How do we move towards a sufficient, sustainable and shareable prosperity? This means first understanding why the rule of the Market, as currently defined, is not going to meet this goal.

The most obvious problem is that the market mechanism does not respond to people who have needs but no money. But even those who are served profitably by the current Market culture need to consider whether the present system is sustainable.

Back in 1987 Jenkins placed this concern before some of the most powerful financial figures of the world, in a sermon he delivered at a church in the city of London:

"all the major markets of the world, and the programs and policies designed to support and promote them, are striving for growth related to material production and consumption. But this is almost certainly not sustainable and increasingly certainly not desirable. An overall growth of
three per cent per annum, for example, would double production in 25 years, with a corresponding use of resources. And we have already nearly wrecked our limited planet."

The vital significance of someone like Jenkins is that he is fully appreciative of the achievements of the market mechanism. For example, he points out that the price mechanism is a powerful secular instrument to govern the process of material exchange. It does create incentives and provides immense diversification. However, this alone does not provide for the needs of all in society.

The market's alleged disconnection to any considerations external to the market makes it complicit in externalities, its social costs... the unshackled reign of laissez-faire and minimalist government...(results in a) political power shift to the constituencies of wealthy conservatives becoming an entrenched plutocracy. Jenkins's plea is for humanity to take on new twenty-first century risks—to shift from "competitive risks the early capitalists took to collaborative and political risks" designed so that in a longer-than-quarterly earnings run "all shall profit." (taken from book review by Edward Chase.) [www.findarticles.com/ cf_dls/m1093/5_43/65653574/p1/article.jhtml. CED Ref: DW\New Economics\Review-Jenkins]


We also now have technology and modes of resource utilisation which could ensure an adequate livelihood for all. So, Jenkins suggests that "we need to pick-up in a hopeful way, the multiplication of many blessings...it is possible now to feed everyone on earth, provided there is compassionate sharing."

The road to building tangible alternatives is long and hard. Simplistic solutions will not move us faster along this road. So, Jenkins cautions, instead of a specific target we must focus on a purposeful vision that is anchored in moral and ethical values. But in order to be workable such a vision must contend with basic economic realities — such as the problem of scarcity, efficient means of distribution and viable modes of exchange.
This striving for alternatives is nascent in the growing clamour against the existing form of globalisation. The impassioned street-level protests against the World Trade Organisation, World Bank, International Monetary Fund and World Economic Forum are only a small signal of the struggle for change. Jenkins concedes that these protests may seem like skirmishes however "skirmishes along the way are important for getting us to the main battle...the search for solutions will be made up of both pilgrimage and protest...Since I have faith in God and above all in people I am sure something will happen."

It can take 30 or 40 years for an idea to work its way up from the base or fringes of society. Today it is still almost heretical to suggest that economics be geared to sufficiency instead of endless growth. Yet this could change with agents of transformation working at all levels. Some will choose to work within the system and build alliances for change. Some will live within the system but agitate and protest against it. And yet others will opt out altogether to demonstrate radical alternatives.

**Market with a Difference**

A story about the popularity of salmon fish in the German market helps to illustrate the paradox of the prevailing form of globalisation. The story is told by Wolfgang Sachs¹, environmental activist and author. Salmon has become a favorite food among health conscious Germans. This benefits the people who are running the increasing number of fish farms in Norway, Sweden and Scotland. These farms in turn create a demand for fish-meal which benefits suppliers on the Pacific coast of South America.

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¹ Drawing conclusion from the Salmon story, Sachs writes "Globalisation means, among other things, a lengthening of the supply chain, but it does not necessarily mean that the costs and benefits of economic activity are globalized. On the contrary, it is more likely that extension of the value-creation chain to different locations around the world will bring a new allocation of advantage and disadvantage. When a production process is divided up among different countries and regions, a tendency soon appears to separate costs and benefits by redistributing them up and down the chain."


[CED Ref: B.E00a.S9]
Yet all these layers of seemingly complementary self-interest do not benefit everyone. Instead many people involved in the process find themselves at the losing end because the intensive ‘production’ of fishmeal is rapidly depleting fish reserves in that part of the Pacific. This in turn undermines the economy of local fishermen, who live off the sea.

“The salmon, a light healthy post-modern diet, ends up on tables in Germany” says Sachs “and the dirt, stench, polluted waters and dwindling fish reserves are left in South America. The benefits go to the top of the chain in the North and the costs settle at the bottom in the South.”

Related writings of Wolfgang Sachs
The Archaeology of the Development Idea. Interculture, Canada. 1990, a philosophical critique of Development. [CED Ref: R.Q12.37]
The Blue Planet – An Ambiguous Modern Icon. Ecologist Asia, Issue: 3/2. Icon. 1995. [CED Ref: J.E00.010395ECA3]

Sachs takes pains to emphasise that there is now a ‘Global North’ and a ‘Global South’ spread across the world. The global north includes those who derive benefits from the prevalent model of the market-driven globalisation and the global south are those who are left to pay the price of that prosperity. This is inevitable when 20 percent of the world’s people are consuming 80 percent of the earth’s resources.

This has particularly tragic implications for that one-third of the world’s population which still depends directly on nature for its survival. The prevalent model of free trade and market driven globalisation holds no promise for these billions of people. So where do we go from here?

Martin Khor, leading activist of the Third World Network, suggests that we start by recognising that the present form of globalisation is neither inevitable nor involuntary. Even the digital revolution and other technological factors are not the primary movers of globalisation. Instead the process is being driven by policies and strategies set by powerful economic interests.
The market itself is not an enemy, asserts Khor. We have to combine a humane kind of market mechanism with non-market functions, says Khor. "TAMA, or There Are Many Alternatives, will mean different things in different cultural contexts."

Thus, the explication of TAMA is not just a matter of listing alternative modes of material exchange — through cooperatives or local currencies or equity-oriented credit structures and so on. It is far more important to challenge the basic premises underlying the existing model of market economy.

For example, the prevalent system rests on a theory of behavior which treats selfishness as more universal than goodness. This theory does not reflect reality but the theory produces its own reality.

Intellectual activists like Sachs and Khor are essentially urging that political and social action will have to create greater space for reciprocity as an alternative to brutal competition. This will mean giving greater value to what Sachs calls "the care economy, the gift economy" and the informal economy.

This cannot happen unless it is more widely recognised that the dogma of limitless growth is an outdated 20th century aspiration. In the last fifty years, a period of unparalleled economic and population growth, one third of all arable land in the world has been severely degraded and the fresh water on the planet has shrunk by one-fourth. The global fish reserves have also declined by one-fourth.

"The utopia now is to learn to live elegantly within limits" urges Sachs. The ideal economy of the 21st century will provide maximum well-being with minimum consumption. Optimum resource use and ecological sensitivity must now be the new standard of excellence for engineers and managers. Across the world innovators are working on the concept of industrial clusters that will follow ecological food webs.

The transition to this kind of new economy will require a combination of "reinvention, prudence and restraint" says Sachs. None of these qualities

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13 The Gift Economy is the opposite of money, says John Stonner of 'Generosity Game'. Generosity keeps services, goods and goodness in circulation by creating an ever widening circle of exchange rather than the transactional link between a buyer and a seller.
show up on supply and demand curves or other conventional economic charts. Yet all these qualities are inherent in most societies and have always played a role in pre-modern market transactions which were embedded in cultural and social relations.

The benchmark of this process of transition was perhaps provided by the 19th century American writer Henry David Thoreau, whose ideas and actions on civil disobedience later inspired Mahatma Gandhi. A man is rich, Thoreau wrote, directly in proportion to the number of things he can afford to let go.

Further readings on Markets


SECTION 3: NEW MONEY

At the dawn of human civilisation all wealth was equated with tangible useful things. For example the word “capital” did not originally mean money. The word is derived from the Latin word ‘capitale’, which means head and it referred to heads of cattle. In ancient Egypt the monetary system was based on stockpiles of grains. Till about two hundred years ago, wealth was stored mainly in land and its improvements.

Money, unlike cattle or grain, does not exist in nature. It is an abstract institution of society, a medium of exchange, invented about 3000 years ago to facilitate trade. In some societies money took the form of stones and shells. By about 1000 AD coins made of precious and semi-precious metals were known all over the world. Subsequently, paper money was introduced when private banks made loans. In the 20th century the supply of this paper money came to be regulated by the Central Bank of each country.

Till about 30 years ago, paper money was backed by gold. Today there is nothing material backing the world’s currencies and yet they exercise a position of supreme power. The consequence is that money in the bank is equated with wealth, rather than tangibles like natural resources that actually sustain life.

For instance, David Korten speaks about a former Malaysian minister who observed that “his country would be better off once its forests were cleared away and the money from the sale was stashed in banks earning interest. The financial returns would be greater. The image flashed through my mind of a barren and lifeless world populated only by banks with their computers faithfully and endlessly compounding the interest on the profits from timber sales.”

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The Malaysian Minister’s views are based on the fact that in the global economy money is indeed growing faster than trees. This is because the global monetary system has got virtually de-linked from the real economy. In 1995 the global daily exchange of currency was $1.3 trillion, that is 30 times more than the daily gross domestic product (GDP) of all the developed countries.

Thus writer-activists like Korten say that we are all victims of “the war of money against life”. The consequences of this are rapid depletion of real wealth, that is natural resources, and concentration of money in the hands of a few. The world’s 450 billionaires are estimated to have combined financial assets that are greater than the combined annual incomes of half of humanity.

“Money is like an iron ring we’ve put through our noses. We’ve forgotten that we designed it, and it’s now leading us around” says Bernard Lietaer, a former banker and now activist-academic based at the University of California, Berkeley. It is time, urges Lietaer, to design a money system that takes us towards sustainability and community. Lietaer is a Belgian who years ago helped to design the single European currency system and is now one of the leading champions of alternative community-based currencies.

Political activism to challenge the capitalist monetary system is not new. Even a hundred years ago, in the USA, there was strong political mobilisation against monetary policies that favoured the rich at the cost of farmers and workers. Frank Baum, the author of the Wizard of Oz, was a staunch supporter of one of these movements. “The History of Money”, a book by the anthropologist Jack Weatherford, tells of how Baum’s tale is actually an attack on the established banking system that deliberately kept money in short supply. Scarcity is one of the key problems of the current form of money.

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In 1989 the leading US financial journal Business Week named Bernard Lietaer - the world’s top currency trader, when he was heading a major hedge fund. Lietaer also worked on the design and implementation of the Euro. Today he is one of the most vocal proponents of a multiple-currency system that includes community currencies.
“Conventional money derives its changing value from the psychology of the international market: our hopes, fears, weather patterns and mood swings all affect its value. And if value is a psychological construct, then there must be ways in which collective belief — and collective psychology — could create more of it. Local currencies are showing us how. They have provided a tool for manifesting that non-monetary wealth which we have within ourselves: our neighborliness, our wasted skills, our communities,” David Boyle in *Funny Money: In Search of Alternative Cash*. Flamingo, London, 2000.

Money has different effects depending on its origins and the purpose it is intended to serve. Money created to make profits for a commercial bank is intended to remain scarce and has an entirely different effect compared with a local currency created by the users themselves purely to facilitate their trade. Monetary activists are calling for decreasing the hold of “scarce currencies” and strengthening “sufficient currencies” — that is, those created within communities by mutual credit systems.

The fundamental premise of all this work is that in a healthy economy, money is neither the dominant value nor the sole or even dominant medium of exchange. Money must be a servant of the creation and protection of real wealth. This monumental task requires several measures. Korten suggests that a health money system must:

1) make speculation unprofitable;
2) limit the growth of financial bubbles;
3) increase incentives for cooperation among people and communities;
4) reward productive work and investment;
5) create a just distribution of claims to real wealth;
6) provide incentives for patient and locally rooted investment in real assets; and
7) strengthen the social fabric of family and community.”
This is clearly not a call for boycotting the conventional national currencies. Local currencies are intended to serve a supplementary function. In extremely successful situations these currencies do significantly lessen people's dependence on the conventional currency issued by banks and governments.

The other powerful instrument of a healthy monetary system is zero or negative interest money. The idea of negative interest or a demurrage charge is based on the premise that money is a public good, like the telephone or bus transport and that we should charge a small fee for using it. Under such a system, money would be used only as a medium of exchange, not as a store for value. Since this would encourage circulation it would help to create more work and livelihoods.

Lietaer forecasts that different forms of alternative currencies will be a major tool for social design in the 21st century, primarily because they will be conducive to higher levels of employment. "I propose that we choose to develop money systems that will enable us to attain sustainability and community healing on a local and global scale. These objectives are in our grasp within less than one generation's time. Whether we materialize them or not will depend on our capacity to cooperate with each other to consciously reinvent our money" says Lietaer.

**Interest free money**

Human society now has the means to produce more than enough food to feed everybody and there is also enough work for everyone. But there is not enough money to pay for it all. The scarcity is in our national currencies, says Bernard Lietaer, a former banker and author of a recent book titled "The Future of Money: Beyond Greed and Scarcity". Adds Lietaer: "the job of central banks is to create and maintain that currency scarcity. ...Money is created when banks lend it into existence. When a bank provides you with a $100,000 mortgage, it creates only the principal, which you spend and which then circulates in the economy. The bank expects you to pay back $200,000 over the next 20 years, but it doesn't create the second $100,000, the interest. Instead, the bank
sends you out into the tough world to battle against everybody else to bring back the second $100,000."

"The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent," John Kenneth Galbraith in "MONEY: Whence it came, where it went"; Houghton Mifflin Company, Boston, New York, 1975, 1995.

For most borrowers to earn this interest money the economy must keep growing exponentially. This means that the Earth and human beings are required to produce real wealth much faster than it is possible to sustain. For example, the annual growth rate of trees and fish is actually much slower than current demands for economic ‘growth’ require. This is one of the fundamental reasons why the world’s forests and fish reserves are being rapidly depleted.

Before going into the implications of switching from the interest-bearing monetary system to one that encourages negative interest, a brief glimpse at the history of interest and lending.

Lending is at least as old as settled agriculture. At the dawn of civilisation people made loans of seeds, animals and tools to each other. Since what was loaned had the power of generation, the borrower shared the generated surplus with the lender, a kind of interest payment. The Sumerians used the same word, ‘mas’, for both calves and interest.

In ancient Egypt people stored their surplus grain in state run godowns and in exchange got tokens which served as a currency. The tokens carried a demurrage charge and thus kept depreciating. This created an inbuilt incentive to keep the tokens in rapid circulation for such a currency is only a medium of exchange and not a store of value.

The problem probably began when currencies came to be based on metals. Since metals are ‘barren’, they have no powers of generation, any interest paid in them must originate from some other source or process. The result, in many societies, was chronic indebtedness.
In the ancient Greek city states lending of metal-based money gradually turned a class of free small farmers into slaves or servants. Thus in the 4th Century BC Aristotle formulated the classical view against usury, the practice of charging excessive interest, calling it the most hated sort of wealth getting.

Consequently usury has been universally condemned by all the world’s cultures as an anti-social misuse of the money mechanism. In India, interest was traditionally limited to the full amount of the loan. In medieval Europe the Christian church placed strict limits on interest. Christian tradition also observed every 50th year as a Jubilee year, during which all outstanding debts were dissolved. Islam forbade interest altogether. The Quran considers interest as war on Allah and exhorts Muslims to spend whatever is surplus to their needs, ensuring circulation of wealth.

During the 12th and 13th centuries in Europe many regions had the brakteaten monetary system which operated with a negative interest rate. In this system currency was issued by local lords in the form of silver plaques that were called back about twice a year and re-issued a bit thinner. Like the earlier Egyptian system this one had an in-built disincentive against hoarding of currency. It was also conducive to ambitious local community enterprises, like the building of grand cathedrals — which in turn drew economic activity into that area. This brakteaten system collapsed when centralised kingdoms emerged and the kings claimed a monopoly on the creation of currency.

This is not to suggest that these systems were anywhere near perfect or entirely just. But certain political and economic activists are drawing clues from these historical experiences which could help to build better monetary systems than we have at present. More recently, in the 1930s, there were successful alternative currency experiments in both Europe and the USA. There has also been theoretical work on this concept in modern times.

In the late 19th century the case for a negative interest rate was strongly argued by Silvio Gesell, an Argentinian businessman and economist.

Gesell is one of the major inspirations for activists now working for interest free money. Some parts of Gesell’s seminal work “Natural Economic Order” can be downloaded from — www.systemfehler.de/en/ne
Gesell suggested that money be used primarily as a medium of exchange and a public service good on which a small user fee can be levied — a sort of demurrage charge. Later, the 20th century’s most influential economist John Maynard Keynes supported Gesell’s idea of a demurrage charge. Keynes went so far as to predict that “the future would learn more from Gesell than from Marx”.

Some people believe that the time has now come to build on such ideas. There are at least two obvious incentives for moving in this direction. One, is the grave instability of the conventional currency system. The other is the alarming ecological damage being caused by the existing economic system. This remains true even after the adoption of corrective measures by many governments and corporations.

Thus the idea of a “Green Convertible Currency”, as proposed by Lietz, is bound to appeal to all those who worry about losing the race to save the planet. Such a currency would be backed by a basket of commodities, like grains, minerals or petrol, and also carry a negative interest charge. Such a monetary system would be “one of the few true long-term structural measures that can spontaneously help to achieve ecologically sustainable growth within a market economy” says Lietz, who is based at the Centre for Sustainable Resources of the University of California, Berkeley, in the USA.

Just how this will happen is not clear but the basic aims are clear — to create forms of currency that are within the control of local communities, not scarce and thus naturally interest-free. This in turn would help create livelihood for far more people than the prevailing economic structures. This alone would not ensure ecological sustainability but it would help.

Of course there can be interest-free lending which does not raise fundamental questions about the existing conventional currency structures. Some Islamic countries have led the way on such lending. Small-scale interest-free banks have operated in Egypt since 1963 and are now common in Malaysia, Philippines, Denmark, Australia and South Africa. In India there are reportedly 200 small Islamic banking institutions in Kerala alone. The deposits of each of these banks ranges from Rs. one lakh to Rs. 10 lakhs and they do not restrict their lending to Muslims alone.
In many Western countries, mainstream banks are now opening special no-interest divisions to cater to Muslim clients who refuse to either pay or earn interest. But this is clearly the response to a niche-market of clients with special needs. There is still a long way to go before the idea of an interest-free money is taken seriously by conventional bankers and policy makers.

### Some readings on Money


### Community Currencies

In the town of Totnes, in south England, you can buy goods and services with ‘Acorns’ instead of the conventional pound sterling. The Acorn is a local currency that does not take the form of either coins or bank notes. Acorns change hands when a cheque is written out by a member of the Totnes LETSystem.

For example, Marcea Colley is a local resident who has earned Acorns by selling baskets, teaching basket-making and running a bed and breakfast facility. In turn she has used those Acorns to pay for plumbing repairs, pruning of trees in her garden, baby sitting and buying things like yogurt and bread.
In the south of France there is a network of community currency groups called “Grain of Salt”. Every fortnight this network has a big party. People gather to trade things and services. Someone may be selling cheese or fruits and buying “hours” of plumbing, haircuts or sailing. These exchanges take place not in the conventional French francs but in the local currency created and operated by groups in the network.

This is just one of thousands of community currency networks now operating in countries across North and South America, Europe, Australia and New Zealand. These networks tend to flourish during times of recession when many people find themselves either under-employed or without a job. Local currencies are also a way of trying to recreate the sense of community that is otherwise lacking in many industrialized countries.

Information on LETS


Websites giving more information on LETS

www.gmlets.u-net.com

www.ccdev.lets.net

www.lets.org.au
"A local currency can't leave the community it serves, so it ensures connections between people exchanging skills, goods and services" writes Michael Linton, a Canadian who designed the first Local Exchange Trading System (LETS) back in the early 1980s. LETS is one of several forms in which local currencies have emerged.

Interestingly, the origin of the word "community" is in the Latin words for gift and coming together. Thus community, literally, means to give among each other. The word community initially referred to the material organisation of a self-contained economic entity like a monastery.

In the age of globalisation a self-contained community-based local economy may be impossible. But local currencies are one way in which people are able to partially protect themselves from the vagaries of economic trends determined by distant and amorphous forces. Local currencies are also a response to an anomaly which afflicts many free market societies and is most starkly manifest in the United States of America. The last ten years have generally been a boom period for the American economy. Yet there is reportedly not enough money for basic facilities like education, health care and pensions for the elderly.

Thus one of the leading books on local currencies is called "Time Dollars: the new currency that enables Americans to turn their hidden resource - time - into personal security and community renewal". Ralph Nader, the leader of the American consumer movement, calls the Time Dollars "an organised, inflation-proof currency that can provide as constant, as powerful, as reliable a reward for decency as the market does for selfishness."

This is how Time Dollars work. A person earns credits by providing a service to others who are part of the network, like a car ride to the market or doing minor home repairs or baby-sitting. This credit, or Time Dollars, are then used to acquire goods or services from another member of the network.

In the words of Edgar Cahn and Jonathan Rowe, authors of "Time Dollars", this is "a money that is almost anti-money. It provides a practical way to restore and validate trust; and it makes community institutions,
rather than corporations and government, the nexus of this trust. ...Now that we have trusted gold and governments and plastic and computer blips, is it really so outlandish that we try to trust our neighbors?"

Community currencies, also called Local Currency, come into being when a community finds that conventional money is in short supply. By inventing their own local money, or token of exchange, the community is able to ensure that skills, services and goods keep going around thus creating livelihoods for more and more people. There’s no limit to the different ways in which these currencies can work and several models are now in operation.

One of the most famous such models operates in the town of Ithaca17, on the east coast of the USA. The “Ithaca Hour” is a printed paper currency which has become a valid token of exchange for much of the town’s population. It is now accepted by 300 local businesses and has the backing of the local chamber of commerce. One local bank even pays its staff’s salaries partly in Ithaca hours. Paul Glover, the founder of the Ithaca Hour, calls such currencies the “community magic act”.

Local currencies have been common throughout history, emerging whenever a community needs to protect its internal economy from outside disturbances such as war or depression. Several systems sprang up in the USA and in Europe during the economic slump of the 1930s.

For example, in 1930, the owner of a small bankrupt coal mine in Bavaria started paying his workers in coal instead of the German Mark. Since it would be cumbersome to cart coal all over town for every purchase, the mine owner issued a local currency which was redeemable in coal. This system was reportedly so successful that by 1931 this Freiwirtschaft, or free economy movement, had spread throughout Germany and included several corporations. But soon the German Central Bank asserted its monopoly on currency creation and prohibited the experiment.

However, in 1932 the Austrian town of Worgl repeated a similar experiment to achieve full employment. Again the success was copied by

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17 “In Ithaca We Trust”, reads the motto on the notes circulated by the Ithaca Hour community currency. This phrase is both a mission-statement and a telling contrast with the motto on all notes of the conventional US dollar notes: “In God We Trust”.
hundreds of communities but later stopped by the Austrian central bank. It is estimated that during the 1930s about 400 cities and thousands of communities in the USA launched some form of local currency. But eventually these were all prohibited in favour of a centralised currency creation and banking system.

Even today the mainstream media and economists tend to refer to these community currencies as ‘funny money’ implying that it is not as ‘real’ as the conventional dollars, pounds or pesos. John Turmel, a Canadian politician and local currency activist, suggests that if a community’s local currency is called ‘funny’, then it would be more appropriate that the conventional currency is called ‘sad money’. “For both moneys are based on the same collateral and the only difference is that the funny money doesn’t inflate since it’s backed up one-to-one with collateral while the tearful money does lose its value over time because of its usury which is truly not funny.”

The success of such phenomenon is not easy to judge using conventional standards of “growth”. For example, the Totnes LETSystem is the earliest one in Britain but still remains very small. In early 2001 it had approximately 400 members. But one reason for this, as Marcea Colley points out, is that once people are linked to each other they often trade without formally recording the transaction in the LETS register. So while formally they appear to have dropped out, the concept is still working for them.

Community currencies open up many promising possibilities for the future. Firstly, for the people who benefit from them it is a ‘happy’, and not ‘funny’, money. Secondly, all these experiments feed into the complex challenge of working towards economic systems that are humane and non-exploitative.
David Korten, the author of a book called “The Post-Corporate World: Life after Capitalism”, suggests that “We live at a time when our very survival depends on rapid innovation toward the creation of living economies and societies. Such innovation depends on vigorous community level experimentation supported by the creative energies of individuals everywhere.”

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<tr>
<th>Some websites on New Economics &amp; related subjects</th>
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<tr>
<td><a href="http://www.comminforexch.org">www.comminforexch.org</a>: Community Information Exchange, Washington DC, USA</td>
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<td><a href="http://www.gwu.edu/~ccps">www.gwu.edu/~ccps</a>: Communitarian Network, Washington, DC, USA</td>
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<td><a href="http://www.newschool.edu/academics/gsmup/cdrc.htm">www.newschool.edu/academics/gsmup/cdrc.htm</a>: Community Development Research Center, NY, USA</td>
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<tr>
<td><a href="http://www.focusweb.org">www.focusweb.org</a>: Focus on Global South, Bangkok, Thailand.</td>
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<tr>
<td><a href="http://www.ilsr.org">www.ilsr.org</a>: Institute for Local Self Reliance, Washington DC, USA</td>
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<tr>
<td><a href="http://www.iccdt.com">www.iccdt.com</a>: Institute for Community Economics, Springfield, MA, USA (promoting economic justice through community land trusts (CLTs) and community investment.)</td>
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<tr>
<td><a href="http://www.neweconomics.org">www.neweconomics.org</a>: New Economics Foundation</td>
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<td><a href="http://www.schumachersociety.org">www.schumachersociety.org</a>: E.F. Schumacher Society, Great Barrington, MA, USA</td>
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SECTION 4: GOING LOCAL

The call for empowering local communities is the common thread running through diverse kinds of anti-globalisation mobilisation. Some call this Cosmopolitan Localism and are quite clear that it is not a cloaked parochialism. It involves new approaches to evaluating ‘real’ wealth, creating sustainability and promoting true peace and international security.

This ‘going local’ is not about burning or boycotting foreign goods. It is also not about denying the reality that a closely inter-twined global economy is here to stay. This is about building a different kind of globalisation which is people-oriented, community-owned and not dominated by the ruthless pursuit of purely monetary profits.

— "...we need to rebuild local communities and re-localize the economy to restore a sense of self, of meaning and of belonging. Growing the local economy involves such actions as establishing local food links that shorten the distance between producer and consumer, and creating local currencies, commerce and trade." Susan Hunt, an economist and member of TOES.

What is the problem with these distant investors and the growth they bring?

Firstly, capital is free to move in search of the most profit-maximising locations. This leads to intense competition, among cities and countries, to attract such capital. This causes both local and national governments to constantly undercut each other. Often this is done by offering corporations tax breaks, various concessions and in some cases hidden subsidies.

In the race to attract global capital those local economies which are "free" of environmental and labour standards seem to win. The present
international trade regime, mediated by the WTO, systematically reduces the power of national, state and local governments to regulate multinational corporations. At present this reality in general projected as the dominant economic trend of the early 21st century. This is partly because the creative possibilities of community self-reliance are simply not given much attention by the mainstream discourse. However, there is a growing body of work by academics and activists alike on community-oriented economics.

How, in this context, is it possible to strengthen local economies?

Michael H. Shuman¹⁹, makes a powerful case for a localism which is inclusive rather than exclusive. He argues that going local means "nurturing locally owned business which use local resources sustainably, employ local workers at decent wages, and serve primarily local consumers... Control moves from boardrooms of distant corporations and back to the community, where it belongs."

The trick is to do this and then relate with the global market from a position of strength. This can be done, Shuman's research shows, by creating "community corporations". Such corporations are locally owned and can combine the efficiency of the market and the social-mindedness of the public sector without the liabilities of either.

"Even for industries whose economy of scale is large, regional alliances of community corporations might be able to compete effectively with today's privately owned globetrotters" suggests Shuman.

For example, Mondragon in Spain, is home to a network of 160 cooperatives, including Spain's only producer of computer chips and its biggest manufacturer of refrigerators and machine tools. The profitability of each Mondragon cooperative is twice the average of that of a typical Spanish corporation.

In Bologna, Italy, worker-owned cooperatives have transformed a once impoverished agricultural area into the fastest-growing part of Italy. Some

of the 1,800 cooperatives in the Bologna region export high-tech products that compete internationally. Following successful models in Europe, more than 50 flexible manufacturing networks have already been set up in the United States.

Political economist Bennett Harrison (author of Lean and Mean, Basic Books) has argued that the era of the "large, vertically integrated, multidivisional, often multinational corporation" is now giving way to "lean and mean core firms, connected by contract and by handshake to networks of other large and small organizations, including firms, government and communities."

Such developments, along with recent technological innovations, could aid the emergence of a decentralised, banking on biomass economy. It has now become much easier and cheaper for communities to locally and economically tap renewable energy resources, like agricultural 'wastes'.

Shuman argues that a "carbohydrate economy" could well be round the corner. Already in the USA, facilities using crops and crop waste, are producing as much electricity as eight large nuclear-power plants. The US Department of Energy predicts that biomass fuels will be competitive with gasoline and diesel by the year 2005.

At the same time, the economics of small-scale urban farming are improving. A study by the UNDP shows that millions of city dwellers are growing their own vegetables. The 18 largest cities in China meet most of their vegetable needs through urban farming. In the last two decades New York City has opened a thousand community gardens on public land and 18 public markets to sell produce grown in them.

In the USA some farmers have organized groups of consumers into subscribers' clubs. This is known as community-supported agriculture and there are about 600 such operations spread over 42 of the United States. A typical farm in such effort has about 3 acres of land and serves about 60 to 70 local families.
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*For the Common Good* by Michael H. Shuman, a Washington D.C. based lawyer and activist.

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In the USA some farmers have organized groups of consumers into subscribers' clubs. This is known as community-supported agriculture and there are about 600 such operations spread over 42 of the United States. A typical farm in such effort has about 3 acres of land and serves about 60 to 70 local families.
This could also be vital for encouraging greater bio-diversity as an insurance against the monoculture agriculture promoted by large corporations. The economic and human toll of failures of these monoculture crops are starkly evident in India where indebted farmers have committed suicide in many regions of the country.

Thus there is an urgent need to evolve an India-specific model of community-based ecological economics. There is already a wealth of experience, in India, on the workings of cooperatives, micro-credit institutions and small self-help groups. This knowledge bank can be further expanded by drawing on the work and ideas of the kind covered in Shuman’s Going Local.

Sure enough this is a daunting, global, intellectual challenge. For community has not been a basic unit for conventional economics. It is an even greater political struggle which stretches from villages to the corridors of power — be it a government, a corporation or international bodies like the WTO. For community empowerment cannot happen without some dilution and transformation of existing power structures.

Most daunting of all is the chasm between the creative possibilities and the hard reality of the times. Given the power of large global forces, a local initiative can easily feel like its fighting a drought with an eye dropper. But, Shuman suggests, instead of exhausting ourselves in fighting “anti” campaigns let us start creating: “If enough of us create our own corporations based on a new vision of social responsibility, and if we choose to buy and invest only in these firms, other corporations will either adapt or die. If we create even a small number of self-reliant communities in which every resident has a decent job that produces basic necessities for one and all, other communities will visit, learn and follow. We have far more power than we realize.”
Further Readings

Low Flying Heroes: Micro-Social Enterprise below the Radar Screen by Alex MacGillivray, Pat Conaty & Chris Wdhams, Chris, New Economics Foundation.


Bill Mollison in Urban Permaculture and Permaculture: A Designers Manual, are good “How to” resources on growing food in urban areas. In Bombay, Dr. D.T. Doshi grows his vegetables on his terraces in barrels.

Banking on Biomass

“Banking on biomass”. This could be the biggest business of the new century. It means that the clever use of leaves, twigs, grass and plain sunlight can help to make everyone prosperous.

Here is an idea that will appeal to those who are tired of vague talk about “alternative development”. For sustainable and equitable resource use is being made “bankable”—a viable business proposition for masses of people, not just a handful of entrepreneurs.

This possible-India can be built in the next two decades. It would be a lush green land with extensive permanent vegetative cover which restores the millions of hectares now reeling under soil erosion. This varied vegetation, or bioenergy, would feed humans, animals and the land alike. It would also create masses of green ‘waste’ which could be converted to fuel for cooking, lighting and machine-running energy.
Yet this would not be a land of isolated village republics where people are content with a bare subsistence economy. Rather it is the vision of an industrial society that has combined the wisdom of nature with the genius of human innovation and invention.

The gigantic towers of the conventional electricity grid would still be around. But large segments of the population will generate their own electricity needs, partly through small multiple-fuel internal-combustion engines and even minor hydro plants. Such a society will not feel threatened by the drying up of its natural gas and petroleum reserves. For there would be biomass for liquid bio-fuels which can replace the compressed natural gas.

This India of the future would harness the sun and wind wealth of this sub-continent to run industries of different shapes and sizes. This would be done by maximizing the potential of natural building materials like bamboo. When used innovatively, bamboo can contribute richly to economic growth, provide livelihood and also enrich the environment.

Such an India would be built by people participating at every level of the system, to ensure regenerative management of land, water and other natural resources. Only then can every drop of water be maximised where it falls. Low rainfall areas could augment their water supply from outside by forming democratically run user groups which ensure that the exogenous water is used for long term gains. This would ensure sustained growth for all, rather than short-term mega-profits for a few.

This picture is not entirely a futuristic fantasy. Groups all over India are already working in pockets to realise the essence of this vision. Some of them have partially succeeded. But their work appears to flounder for want of a ‘macro’ design or theory.

“Banking on Biomass” is a book and provisional blue-print which takes on that macro challenge. This is primarily the work of the Mumbai based activist-engineer K.R.Datye. It is a copiously detailed articulation of a “new strategy for sustainable prosperity based on renewable energy and dispersed industrialisation.” The book provides evidence, on the basis of scientific data and analysis, that such a new paradigm can
provide more than basics to the rising population. It can also raise the health of the ecosystem to a point where India can attain a quality of life comparable to that of the developed countries in the 1970s.

Datyne, 75, is a civil engineer who began his career in a government job. But for the last two decades he has worked with a wide range of grassroots groups on innovative projects which build alternatives to centralised water and energy systems. The most well-known of these was the community-built Baliraja dam in Maharashtra. Over the years Datyne and his team of young engineers have evolved a perspective which challenges the dominant model of development which disempowers communities by making people dependent on distant producers for even the basics of life. But they take an equally critical view of Utopian notions of village self-sufficiency.


The aim of banking on biomass is self-reliance that ensures food security and income stability for the entire population. It is a response to the fact that the carrying capacity of our ecosystem is already under severe strain. Overall food production has been growing but yields are declining in rain-fed areas and there is stagnation in many irrigated high-yield crop areas. Since 1947, the per capita availability of water in India has declined from about 6000 cubic meters to about 2500 cubic meters. In the same period the extent of severe soil erosion has almost doubled.

This degradation is largely due to the compulsion for economic growth which has resulted in irrational use of natural resources. Datye refers to
this as "resource illiteracy". This has led many ecologists, all over the world, to call for a zero-growth economy. But, as Datye passionately argues, zero-growth cannot be a solution for countries like India which still have to create adequate livelihood opportunities for a majority of their people. What we need is a different kind of growth.

*Banking on Biomass* attempts to provide the basic principles for such economic growth. It is rooted in egalitarian values. And this, Datye points out, is not just a moral imperative. Equity is a practical necessity because: "Ecological balance cannot be maintained in a society where a large deprived segment is obliged to over-exploit biomass resources for survival and subsistence...the insistence on equity is not a simple matter of allocation of equal share to all; rather it is an attempt to ensure livelihoods for all and yet leave avenues open for the more enterprising."

Datye’s work is part of a mounting global clamour to mold economic policies in ways that do just this. This perspective lifts the debate on development to a new plane of thought by looking at all aspects and dealing with the "given" reality of our times.

Thus Datye does not oppose privatisation per se but instead questions the many hidden subsidies currently enjoyed by the private sector. "The key issue is not private ownership but increased competition and accountability for the energy producing and distributing units." By this criteria, Datye condemns the Dholol power project of Enron, as simply bad business because the excessively high cost of that power is tantamount to a state subsidy for Enron.

All subsidisation of inefficiency and malpractice must stop, whether by large companies or in village level cottage industries. But this means first looking at how the full input costs of many large industries are never taken into account. Once these imbalances are corrected, then small-scale dispersed production systems, will be seen to be both competitive and cost effective.

The nature of technology choice in the new paradigm is such that both social and physical distance between producers and consumers is reduced across the board. The nature of the state undergoes a radical
change with its role being limited to mediation between self-managing communities in the allocation of resources. Thus, Datye urges that: "Local initiatives in conflict management are more likely to succeed if dependence on conditionalities imposed by external agencies is minimised. Excessive reliance on external finance and material input should, therefore, be avoided and it should be ensured that the subsistence base of the village economy is not eroded by a premature market push."

At the very beginning of Banking on Biomass, Datye emphatically stated that the book deliberately does not discuss the strategy and tactics of this transformation. "This is a matter that can only emerge out of a comprehensive grassroots effort at change in that direction." Datye wants the book to be seen as "a prelude, as an attempt to create the awareness of the possible transition..." An awareness of opportunities is the pre-requisite for successful and sustained change.

### Further reading on promising Initiatives in India


**Food for Thought: ancient visions and new experiments of rural people.** by Bertus Haverkort and Wim Hiemstra, Books for Change, Bangalore. 1999. [available at CED Rs. 250/-]. Presents a framework of on-farm experiments and ideas for a methodology for supporting endogenous development, based on the experiences of 15 organisations in 10 countries.

Towards Structural Transformation

Historically, Structural Change has been sustained, if the roots of the alternatives are already seeded into the system. These seeds were sown by diverse initiatives that took root slowly, met the test of practicability and were gradually accepted. Thus, Structural Change never happens overnight. Its beginnings were always invisible, peripheral, dispersed. Coalescing over decades and centuries, throwing up discovery and invention, not only ‘scientific’ and technological, but also ethical and moral, social and cultural...

Forest Lands and Forest Produce as if People Mattered by SR Hiremath, NCPNR, JVA, SFS, JVS and others. 1997. [CED Ref: B.H23a.H62]. Articles, Documents, Critiques, Letters and Press reports on the Struggle against Privatisation of Forest Lands and Forest Produce, Commercial and Industrial Interests and the involvement of people in protection and development of forest lands.

Comprehensive Rural Health Project (Barefoot Doctor concept) by Dr. R Arole, Jamkhed. In N.H. Antia and Kavita Bhatia, People’s Health in People’s hands: A model for Panchayati Raj. FRCH 1993. [CED Ref: B.D00.A60]


Mazdoor Kisan Shakti Sangathan, We will Know, We will Live: People’s struggle in Rajasthan and the Right to Information: A Document. MKSS, Rajasthan. July 1996. [CED Ref: R.B82b.6]

The National Campaign for the Public Right to Information was galvanised by the struggle of hundreds of rural-workers, from different parts of Rajasthan — with the support of Mazdoor Kisan Shakti Sangathan (MKSS). They were pressing for their right to access government documents that record developmental expenditure at the village level.
The New Transformation Agenda, in the age of the retreating revolution, involves building new social institutions and economic systems in the here and now. This involves building from our current involvements, including the delivery systems of the 2000s (watershed development, micro-credit programmes, alternative health initiatives, joint forestry management etc.), as also the people’s movements. This booklet makes a plea for creating collective economic institutions including community currencies, development of local markets and bio-mass based industry. At some stage or the other it does involve engaging with the current political system, and strengthening efforts of decentralisation including the Panchayat system and the gram sabhas or the public hearing pioneered by the MKSS in Rajasthan. Each of these efforts have got to coalesce, come together. That is the challenge.
LETS make it happen, is a plea for creating collective economic institutions including community currencies, development of local markets and bio-mass based industry. It is a Backgrounder on Alternative Economics for activists and social workers, which says: TAMA: There Are Many Alternatives, to mainstream Globalisation and to an economics which continuously marginalises the poor.

This book introduces basic ideas on News Economics and discusses the theoretical and practical premises of an alternative political economy. It looks at the function of money and explores the objectives and activities of local currencies, which help develop decentralised and people friendly economy.

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