

Introduction

John Jopling



I have just been informed that my niece is pregnant: when born, her baby will be my parents' first great-grandchild. I hope he or she will share my good fortune and live a healthy life in a secure and supportive society. But what are the prospects for this?

The prospects for any unborn child depend to a crucial extent on the economic system within which he or she lives. So, to broaden the question: does our increasingly global economic system offer all newborn children everywhere excellent prospects of good health, societal support and economic security? In other words, is the world economic system just and sustainable?

And if it isn't, the next question has to be: what can be done to make it so?

This is the issue with which *Feasta* concerns itself. It was founded in 1998 out of the conviction that the current economic system is so seriously flawed that it threatens us all, but the poor, and future generations, most of all. The

purpose of the *Feasta Review* is to present in a permanent form some of the ideas about what might be done to improve the system that have been developed or discussed within *Feasta* since the last issue appeared.

A core issue for *Feasta* has always been that of economic growth. Humans, we are told, already consume 40% of the planet's primary production, leaving the remaining 60% for the other seven million species. No wonder we are causing widespread extinctions. No wonder we are pulling innumerable threads from the fabric of nature. No wonder we are using up the resources on which human life itself depends. How can we sensibly talk of growth if achieving it means consuming even more resources and thus accelerating the pace of destruction?

Very few economists seem to appreciate that growth is not necessarily a good thing because it can be uneconomic as well as economic. One who does is Herman Daly, who is well known for

promoting the concept of a zero-growth, 'steady-state' economy. Feasta therefore picked him to give the first Feasta Lecture in 1999. In his talk, Daly said that growth was bound to become uneconomic eventually because, beyond a certain point, it begins to use or destroy more resources than it creates and thus actually makes us poorer. And he went on: "If growth really is uneconomic now, then we have to face very radical solutions to fundamental problems." The lecture was reproduced in the first *Feasta Review*, published in 2001.

Growth is closely linked with energy use and the growth achieved in the past 200 years has been heavily dependent on the use of fossil fuels. Two consequences of this will have a massive influence on our lives and those of future

>>> *the recent doubling of national income was achieved at great cost*

generations: climate change induced by the release into the atmosphere of carbon dioxide and other 'global warming' gases produced by the combustion of fossil fuels; and the imminent peak in the amount of energy that humanity will be able to obtain from oil and gas because the reserves are being used up much faster than new ones are being found. Climate change was the subject of several papers in the first *Feasta Review* and is currently a hot issue within Feasta as you'll see from our website www.feasta.org.

Since the British Government's chief scientist, Sir David King, has warned that Antarctica could be the only continent suitable for mammalian life by the end of the century if greenhouse gas emissions continue unchecked, to continue with growth fuelled by oil and gas must surely be extremely irresponsible. But suppose the supply of oil and gas can no longer be expanded, what happens then? What if the amount of energy available to the world from fossil fuels reaches a peak and then starts to contract? The question is far from academic. In the first *Feasta Review*, the petroleum geologist Colin Campbell predicted the imminent peak of world oil production. And hasn't he been proved right? A peak in global gas output will follow within a few years. In the same issue David Fleming described the serious

economic contraction and destabilisation that will inevitably result from the decline in energy availability following these peaks.

Fleming also looked at the consequences of oil and gas depletion in his 2001 Feasta Lecture, the text of which is reproduced here. He told us that energy scarcity would cause the market economy not just to cease growing but to collapse. The collapse was unavoidable, he said, and public policy should therefore concentrate on laying the foundations for a transformed political economy that could rise from the ashes.

Since energy availability is so crucial, Feasta held a three-day conference in October 2002 on oil and gas supply prospects and the time scale available for making the transition to renewable forms of energy. The conference concluded, as you will see from reading the book that emerged from it, *Before the Wells Run Dry*, that the only sustainable economy is one based on renewables, and that such an economy would look very different from the present one.

One of the key differences would be the potential for growth. In an energy-constrained economy, the potential for economic growth is very limited. *Before the Wells Run Dry* reports the results of a run of a computer model of energy flows in the Irish economy commissioned by Feasta. This showed that Ireland's plentiful supply of renewable resources, even if fully developed, would allow only modest economic growth.

If the consequences of growth fuelled by fossil energy are so adverse, and the feasibility of its continuing are so limited, why are governments so keen on it? Here we come back to the design of the economic system. As Feasta explained in a paper it submitted to the Irish Government in December 2001 in the run-up to the World Summit on Sustainable Development held in Johannesburg the following year, one of the major flaws in the current system is that it has to grow each year if it is not to collapse. Here's what we wrote:

Sustainability needs to be achieved in two time-frames. One is short-term, largely economic and very demanding. We need to eat tonight. Employees have to be paid at the end of the week. Interest has to be paid at the end of the half-year. With its focus of competitiveness, this is the time frame which has occupied Ireland's attention almost exclusively so far. Actions required to achieve sustainability in the second

time-frame seem less urgent but are no less important. The natural environment has to be preserved. Capital equipment, buildings and infrastructure have to be kept up. Health has to be maintained. Knowledge and skills have to be preserved and passed on. And social structures such as families, friendships and neighbourhoods have to stay strong. Unfortunately, in almost every country, the achievement of immediate, short-term sustainability has made it difficult if not impossible to take serious steps towards attaining the longer-term type. Only by changing the economic system can countries get the freedom and the resources to attend to longer-term sustainability.

In short, the system compels those running it to put immediate economic sustainability - the achievement of growth to avoid an economic collapse - far ahead of social and environmental sustainability. So far ahead, in fact, that they ignore the human, social and environmental costs of generating growth until those costs begin to have a serious impact on the immediate growth prospects.

Just how far governments are prepared to allow human health and societal strength to deteriorate in their pursuit of growth is illustrated by the first article in the present volume. Extensive research undertaken by Dr. Elizabeth Cullen (as, initially, a project for the Feasta Indicators working group) shows that the recent rapid doubling of national income per person in Ireland was achieved at great cost to the population's mental and physical health. This was because of the increase in inequality which came about not just because of the economic system's inherent tendency to concentrate wealth but also because the Irish government aggravated that tendency in order to make the economy more competitive internationally and thus increase the rate at which the country grew. Rapid growth meant rapid change: many Irish people felt stressed and took refuge in comfort eating or in alcohol, both with serious consequences. Very similar results have been reported from other countries. Indeed, beyond a certain point, growth should be seen as a cancer right here in the body of our society. In future, it should be accompanied by a health warning unless steps are taken to ensure that it leads to a reduction in inequality, rather than the reverse.

Feasta has therefore been searching for ways in which the economy could be restructured so that, when rapid economic growth comes to a halt, it does not collapse but instead develops along a more sustainable path. Our search area has been wide since, unlike organisations which limit their recommendations to those the current mainstream will accept or at least listen to, we are quite prepared to be radical. However, to ensure that our proposals are relevant, we insist that they have to be 'doable'.

One of our concerns has been with the discipline of economics as such. The current system seeks to maximise the return investors get on their capital. Should the aim of the system, instead, be to maximise human welfare as measured by human health, subject to sensible environmental constraints? Frank Rotering has been working on this question and you can find in this issue a summary of a paper of his which we discussed over several months on a dedicated e-list set up for the purpose. I think it's fair to say that most of those who took part in the discussion thought that Frank was trying to bring too many economic tools over from the present flawed system and was thus infecting the new one with harmful attitudes and characteristics from the old. A more serious problem was whether it was going to be possible to compile the data required to enable anyone to work out exactly when health was being maximised. Still, those who took part learned from it and Frank was helped to take his ideas forward.

For many of us, it is the way that money is put into circulation that creates the growth-or-collapse problem, rather than the system's profit-maximising goal. You will therefore find several articles about aspects of money in this *Review*. For example, James Robertson's contribution says that we must redesign money so that rather than being an instrument of growth and ever greater inequality it becomes a way of fairly sharing common resources. And the new design he sets out is very 'doable' - far simpler than the extremely complicated arrangements currently needed for the money supply, taxation and subsidies.

The country to benefit most from the present money system is, not surprisingly, the richest country, the USA, because its currency, the dollar, is used around the world as if it was an international currency rather than a national one. Europe, with the euro, has the potential to benefit the same way and in his article, Coilin Nunan describes the fascinating competition between the two currencies. An earlier article on the dollar and euro which Coilin wrote for circulation on the Feasta e-list in January 2003 "Oil, Currency, and the War on Iraq," was selected as a finalist for the Project Censored "Most Censored" News Stories of 2003 Awards. Out of the 900 news stories nominated for the award, Coilin's was ranked number nineteen.

Some people think that, rather than the debt-based nature of our current money system, it is the charging of interest which is responsible for the economy's growth compulsion. Ana Carrie went to Sweden on behalf of the Feasta money group to study a bank there which neither charges interest on its loans nor pays interest to its depositors. Ana's article in this issue explains exactly how the bank works. From a sustainability perspective, however, the big advantage of the bank is not that it doesn't charge interest, but rather that it does not take in money from poor areas and lend it out in richer ones.

The 2002 Feasta lecturer, Stan Thekaekara, is particularly concerned about the way both property ownership and the international trading system take from the poor and give to the rich. Inspired by the attitudes of the tribal people with whom he works in Southern India,

he has devised a trading system, Just Change, which links producers and consumers across the world in a jointly-owned co-operative as an alternative to leaving their relationships to be governed by market forces. Trading in tea has already started and, as we go to press, trading in rice is about to begin.

My co-editor, Richard Douthwaite, is also concerned about the global system's built-in tendency to polarise wealth in the hands of the better-off. On top of that, he says, the world economy is inherently unreliable and puts excessive pressures on the environment. His article therefore suggests that we should attempt both to change the way it works and to build regional (that is, sub-national) alternatives to it.

As radical economic change is unlikely to come about without equally radical changes in our political systems, Feasta has become increasingly interested in identifying the sorts of changes we should advocate in the way the political system works. The Schumacher Briefing I wrote with Roy Madron on this topic is reviewed by John Barry in this issue. But there are many other approaches and we also print a paper by Mark Garavan spelling out what could be done to reform the way government works in Ireland without even changing the constitution.

So, all in all, there are plenty of novel possibilities for transforming the present system to make it more equitable and sustainable. And thus improve the life chances for the babies to be born in years to come.