



economy, ecology equity and ethics

providing a clear direction
for discussion and action

a declaration by a group of leading
economists and activists invited by
Schumacher College to take a systemic
approach to the economic emergency



building the green new deal

The world is in the grip of a fourfold crunch - the crises of **ecology**, **economy**, **equity** and **ethics**. We face these crises with concern and hope: concern for the misery they are creating and hope that we have the courage to look deeply into their causes and find lasting solutions.

Governments are putting new money into circulation and bailing out banks; they are focused exclusively on reflation whatever the cost. At best, this amounts to short-termism.

So what else can we do?

We need a new approach – to save the economy by investment in saving the planet through measures that will benefit all of us (including the bankers).

Building on the idea of a **green new deal**, this document addresses three crucial questions: What can we do now? What transformation must follow? What might the future look like?



the policies we need now

First we need a **green new deal** with a clear focus on green investment. Investments today determine the shape of the economy tomorrow, and so must be adapted to future needs. To counter recession, tax relief can be used to stimulate green demand. We propose the following actions.

re-regulate the financial sector

no more absurd credit creation mechanisms

Limit the capacity of banks to generate unsustainable credit (for example by ensuring a global framework that reinstates appropriate reserve-requirement ratios and/or leverage ratios).

Require transparency of financial instruments and ensure appropriate scale of financial institutions (for example splitting up too-big-to-fail banks and tougher auditing).

Make sustainability and ethical criteria central to pension funds and to independent credit and risk rating (for example by compulsory carbon reporting).

new green investments

stimulate investments to save the planet

Set up new, and extend existing credit institutions that drive green and local investments (for example through lower interest rates).

Advance green and fair procurement by increased use of the state's purchasing power to stimulate information, training and jobs for green infrastructure, sustainable energy and biodiversity.

Counter the restrictions on credit by providing safe and sustainable investment opportunities with state guarantees for projects that have high sustainability and ethical ratings.

Provide incentives and investment for ecosystem services and biodiversity (for example for farmers and for rural and marine regeneration).

Encourage businesses to help one another through regional complementary currencies providing liquidity in times when credit is scarce.

fairer taxes and rising green taxes

tax bads not goods

Shift the tax-base from labour to resources.

Introduce fairer taxes to reduce social inequality).

Outlaw off-shore tax havens and tax corporate profits in the countries where they are earned.

The more we increase green investment, the more we need to shrink investment in unsustainable parts of the economy, or else we risk overshooting ecological and social limits, and thus trigger new booms and busts. Therefore we need **new principles**.



principles of transformation

Today's economy has two major structural flaws: economics is designed single-mindedly to maximise financial returns and does not recognize ecological limits. Thus, increasingly, financial capital is growing at the expense of other types of capital. We need a vision that supports human rights and wellbeing and acknowledges that human beings are part of nature. This leads to an Economy firmly rooted in Ecology.

The **e4declaration** recommends eight principles.

1 quality of life

The basic aim of the economy is to meet human needs equitably and to improve quality of life. To achieve this, we need to measure economic success by metrics of well-being.

2 ecological realities

The economy must be designed on the basis of ecological systems, with environmental values playing a central role in reaching economic decisions, and we must move as rapidly as possible towards a resource-light economy.

3 appropriate scale

Society should aim to develop more direct relationships between buyer and seller and to meet local needs with local production. At the same time, local initiatives need to be geared to global realities.

4 optimal diversity

Diverse social, cultural and economic systems are more resilient against sudden collapse. Diversity must be actively promoted, protected and treasured.

5 from ownership to stewardship

Society should support a diversity of business models that encourage individual and mutual ownership, and social entrepreneurship at a small scale, but encourage stewardship and shared ownership on the larger scale.

6 stable and dynamic

The optimum health of any complex system is at a balance point between efficiency and dynamic resilience.

7 equity

Every single human being has basic rights that must be met by social and economic systems. The current economic system manufactures poverty and inequality. Also we must ensure intergenerational equity so that the young are not compromised by the requirements of the old, and vice versa, and the rights of future generations are protected.

8 beauty and elegance

Beauty and elegance lift the spirit and enhance human wellbeing.

Monetary systems can and should be redesigned to serve all of these principles and not simply to maximize financial gains.



glimpses of the future

All aspects of human activity must function in accordance with the **eight principles**. This section focuses on four key areas to give a flavour of the changes that can be made, and are already happening, to create a just and sustainable economy.

food and agriculture

If the food supply chain was designed according to the principles of the four Es we could feed everybody to the highest standards of nutrition and gastronomy. All we really need to do is to develop food and farming expressly to feed people without wrecking the rest of the world – what has been called ‘Enlightened Agriculture’. These are the basics.

Husbandry should be largely traditional – but this does not imply a simple reversion to the past. We need to build on the traditional crafts with excellent science and to ease the physical burdens with truly appropriate technologies. Science and high-tech at present are designed to replace traditional crafts. In short, we need a ‘new agrarianism’.

Investing in a truly sustainable organic food system where, as far as possible, food is produced, prepared and consumed locally. Wealth created from the food chain should remain within communities.

Many initiatives are already in train to bring about the necessary transformation and these must be supported. They include the slow and organic food movements which foster food culture, and schemes to increase access to land, such as community-supported agriculture, land trusts and food co-operatives.

money

Money is a construct and the way it works can be changed. We can create money systems that are stable and help the real economy to work within ecological limits, rather than forcing us beyond those limits. We need to:

Expand accounting to include social and environmental capitals.

Encourage complementary currencies that promote social and environmental value as well as supporting geographical areas or economic sectors at different scales.

Re-localise the finance system with strong support for community-based institutions and investments.

Support and develop the new models of money creation (for example TERRA Global Reference Currency) and interest-free lending into large scale experimentation, action research and evaluation. This will replace compound interest with a more intelligent circulation mechanism

Ensure finance systems are subordinated to the interests of the community and of the ecosystem. Chiemgauer currency in Germany, JAK Bank in Sweden, Wirtschaftsring in Switzerland, and time banks are examples that are already making money work for people rather than the people working to pay the costs of money.



governance

We can transform governance through a positive vision of what people want to see in their local, national and international areas, giving people control of their own lives. We need to:

Adopt the principle of subsidiarity so that decisions and responsibility are taken at the lowest possible level. Communities are already recognising this need, for example in the Transition Initiatives starting around the world, connected via a network able to spread benefits through knowledge sharing.

Introduce a sliding scale of regulation so that the larger an organisation the more heavily it is regulated.

Strengthen the rights of stakeholders.

Decouple governments from corporations.

Ensure that transnational corporations are accountable and subject to democratic oversight.

Introduce maximum & minimum wages with a maximum ratio of difference between most and least paid.

Take responsibility for environmental refugees.

Develop appropriate and effective international institutions for a just economic and ecological order.

energy

Rapid technical advances and price reductions in large-scale renewables have the potential to replace coal and nuclear 'base-load' generation. This necessary investment should not overshadow the development of smart local solutions which are an essential part of providing a resilient energy network. We need to:

Start a global carbon cap and trade system, based on IPCC science, that internalises the environmental cost of carbon dioxide at source, ensuring that fossil fuels are fully costed.

Rapidly deploy energy efficiency programmes (for example retrofitting existing housing and other buildings), providing mass employment opportunities.

Upgrade the electricity grid to allow contributions from remote large-scale renewables (for example offshore wind and concentrated solar power).

Encourage implementation of small scale local renewable, and high efficiency technologies.

Adopt smart policy measures to support the above actions (for example government guaranteed feed-in tariffs, and roll-out of renewable obligations).

Remove institutional barriers to sustainable energy (for example by rethinking unfriendly grid tariffs and policies, and re-designing smart local mini-grid systems, already successfully implemented in Woking, UK and many places in Germany).

With the **eight principles** at the heart of decision making, and by effecting change at all scales as this section begins to explore, we can shape the economy to have people at its centre while recognising our dependence on our planetary home and its diversity of life.



www.e4declaration.org

The **e4 declaration** is a work-in-progress, providing an important statement of direction for economic change. The continuing task of developing the policies and enabling the change is for us all to undertake. If you support this initiative and the continuing work, please share it widely and send it to the Prime Minister and to the Chancellor of the Exchequer. Ask them to see the economic crisis as an opportunity for change and use it to create a sustainable and just economic order by adopting the principles and policies presented in this declaration.

Please show your support; join the **e4 discussion** at www.e4declaration.org.

The e4 declaration was issued by Schumacher College Think Tank on Holistic Economics, November 2008

The Declaration is the collaborative work of the Think Tank participants. All support the Declaration but not necessarily every detail, and it should not be assumed to be officially endorsed by their respective organisations.

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