

# ***Transforming the economic and financial systems – towards justice, transparency and accountability***

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## **A chill on 'economic growth'**

The last decades of economic growth have come at immense (and as yet unaccounted for<sup>1</sup>) costs to both planet and people – especially the poor and the disenfranchised. Put another way, the combined debt of nation states – from the individual citizen to systemic ecological<sup>2</sup> debt – is an indication of the heavy price that we are paying in the name of economic growth.<sup>3</sup> At the same time, the staunchest supporters of globalization and the 'free market economy' have rather less to say in its favour today, particularly in the shadow of the financial crash and the impacts of the 'recovery' since.<sup>4</sup> In effect, the recovery has only served to further compound inequality and income gaps. (93% of income growth has gone to 1% of the richest in the world). The economic system is only as robust as its weakest link and this weakest link now arguably comprises a large proportion of the world's population.

This sobering balance sheet makes an indisputable case for a recalibration and an entirely new visualisation of what socio-economic progress on a finite planet actually means.

## **The markets of Nature**

A UNEP/ European Commission report on *"The Economics of Ecosystems and Biodiversity"* attempted to address the inadequacy of national accounting by suggesting new approaches to macroeconomic measurement that would value of ecosystem services, especially those upon which the poor depend.<sup>5</sup>

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<sup>1</sup> The pattern of "winners" and "losers" associated with ecosystem changes—and in particular the impact of ecosystem changes on poor people, women, and indigenous peoples— has not been adequately taken into account in management decisions. <http://www.millenniumassessment.org/documents/document.356.aspx.pdf>

<sup>2</sup> Approximately 60% (15 out of 24) of the ecosystem services examined during the Millennium Ecosystem Assessment (2005) are being degraded or used unsustainably, including fresh water, capture fisheries, air and water purification, and the regulation of regional and local climate, natural hazards, and pests. The full costs of the loss and degradation of these ecosystem services are difficult to measure, but the available evidence demonstrates that they are substantial and growing. See <http://www.millenniumassessment.org/documents/document.356.aspx.pdf>

<sup>3</sup> Annual natural capital losses are typically estimated at an unimpressive few percentage points of GDP. If, however, the natural stocks upon which the livelihood and welfare of the poor depend are included, then we are talking about fifty percentage points and more. TEEB –The Economics of Ecosystems and Biodiversity for national and International Policy Makers – Summary Report: Responding to the Value of Nature 2009, UNEP, p.5; see also: The EU's Beyond GDP process which is piloting an environmental index for use alongside GDP and launching macro indicators to communicate key issues on sustainable development.

<sup>4</sup> George Soros, among others warns against the false premises of an unregulated financial market, commenting that "it has served well the interests of the owners and managers of financial capital. The global markets allowed financial capital to move around freely and made it difficult for individual states to tax it or regulate it. Deregulation of financial transactions also served the interests of the managers of financial capital; and the freedom to innovate enhanced the profitability of financial enterprises". George Soros (2008) [http://www.georgesoros.com/articles-essays/entry/the\\_crisis\\_what\\_to\\_do\\_about\\_it/](http://www.georgesoros.com/articles-essays/entry/the_crisis_what_to_do_about_it/) The International Monetary Fund is now considering 'capital controls' to limit cross-border investment flows into vulnerable economies and multinational companies are reversing relentless outsourcing.

<sup>5</sup> The rural poor are the most vulnerable to loss of Natural Capital (biodiversity and ecosystem services). Appropriate policies require an understanding of this link and ways to measure the importance of such services to incomes and livelihoods. Measuring the GDP of the Poor can clarify current dependence and risks to poverty, development and MDGs from losses of natural capital.

The problem is that when more and more of the planet's land assets are valued using a \$ metric on a global market, in other words, when nature is being commoditized, what is at stake? An entire value system is at stake. The 'ability to buy' not only rests with those who have the means, from 'high net-worth individuals' to investment management companies, sovereign wealth funds, and multi-national corporations. But the perceived value of nature and land is altered from how it can sustain life for generations to come to what it can 'earn' on the market today and in the short run. Land becomes a strategic asset to be speculated on, as population increases and land supply decreases.<sup>6</sup> The present global market dollar valuation<sup>7</sup> of resources is poised to both reinforce this trend and further embed expectations that future value, profit and power lie in the rights to land and freshwater. And according to prevailing principles of free market economics, as products become scarce, prices rise; pricing most poor people in view of their available assets de facto out of the land market – or, in some situations, putting people in tremendous debt situations by forcing them to borrow in order to stay in the land market. Those women whose access to land is dependent on their community status do not even figure in this kind of land market.

### **A crisis of legitimacy**

Economists and policy makers have overlooked the fact that many more people care about equity than about the economy's efficiency and wealth generating capacity. Put another way, a political-economic model that does not systemically address inequality will eventually face a crisis of legitimacy.

If we are willing to stand by only the principles of gender equality and by extension accept and even determine that the fate of poor women should be equal to that of their poor male counterparts, then there is something fundamentally amiss in our interpretation of human rights and development. The problem is larger, systemic, and structural. It is not reducible to individual rights.

A robust green economy will not materialise if all that takes place is a retrofitting of the prevailing economic system to secure the "green economy" interests of the powerful few, while serving the poor supplemental as opposed to integral social policies. The Green Economy's litmus test will be whether it will empower and engage women every step of the way in its design and implementation, and whether it takes to heart the perspectives of poor communities and especially the interests, knowledge and priorities of women in these communities. These are existential issues for women, for there are real perils and risks if the natural resources upon which these communities depend are brought into an economic value system that for all intents and purposes dismisses, negates and displaces the value systems and priorities of the poor.

### ***Pooling of assets, community trusts and cooperative modes of production and exchange***

The hard-won gains that the majority of the world's poor women have made in the last few decades in securing their societal, legal and economic rights are under siege by the intensification and deepening of a market-centred framework and mentality. The property and environmental wealth of the weak is exposed and vulnerable to the agenda and incursions of the powerful. In the face of global competition and the power of finance capital, it is reasonable to argue that poor women simply cannot hold on to their green economy assets:

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<sup>6</sup> Our Shrinking Earth [http://www.cces.ethz.ch/agsam2009/panels/AGSAM2009\\_keynote\\_Head.pdf](http://www.cces.ethz.ch/agsam2009/panels/AGSAM2009_keynote_Head.pdf)

<sup>7</sup> More dollar value statistics are available from the June 2010 McKinsey Global Institute Report *Lions on the Move: The Progress and Potential of African Economies.*

land, water, seed and knowledge. In losing these assets they lose their dignity, their self-reliance and the core of their empowerment. Consequently, their communities suffer and the futures of their children are put in jeopardy.

At the local level, from village to cosmopolitan communities, in formal and informal economies, women and men are breaking global challenges down to manageable scale, and organizing local development programmes and projects within the confines of immediately available resources. This is taking the form of alternative economic and value systems where the primary investment 'currency' is people's time, labour, ideas and creativity<sup>8</sup>. Across many rural communities, for instance, women are adapting models of sustainable agriculture centred on their knowledge and nurtured seed banks, with Local Exchange and Trade Systems (LETS) facilitating barter exchange systems within and among their communities. Community Development Funds (CDFs) are an example of communities pooling their assets and resources to optimize sustainable and cooperative use of resources and to deliver loans and grants to poor communities.

Women's collective agency can transform society – it depends on and determines their individual agency. Women's ability to influence their environment goes beyond formal political channels, which can be limited by social norms and beliefs regarding gender roles and institutional structures. Women can influence their environments through their participation in informal associations and through collective action, but their success depends in part on their individual ability to make effective choices.<sup>9</sup>

## Conclusions

The economist E.F. Schumacher wrote: "...with increasing affluence, economics has moved into the very centre of public concern, and economic performance, economic growth, economic expansion and so forth have become the abiding interest, if not the obsession, of all modern societies"<sup>10</sup>. John Keynes agreed with this assertion when he advised against "overestimating the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance" while others have suggested that economics is less about 'increased growth' and more about "increased borrowing" – from each other and from the environment! In light of these expressed concerns by economists and social scientists alike, great caution is called for when applying outright economic principles to the management and stewardship of the planet's natural assets in the name of 'greening the economy'.

The conversation needs to begin with a national reassessment of how globalization is impacting society rather than pushing for women to be inserted into an iniquitous system, and what it will take to thrive and to protect what is important in a rapidly changing world – where the winners take all and the losers have everything to fight for.

As its meaning is still evolving and open to interpretation, there is a time-sensitive window for the women's movement to take the Green Economy concept beyond the primary mandate of today's market economy. In this period of instability and rising tensions where the

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<sup>8</sup> Examples include cooperatives and enterprises owned by workers themselves, farmers' movements that are taking over private land of commons, and women's biodiversity-based farming systems.

<sup>9</sup> Source: World Bank. 2011. *World Development Report 2012: Gender equality and development*. Washington, DC: World Bank.

<sup>10</sup> E.F. Schumacher, *Small is Beautiful*, 1973

fundamentals of economic development are being questioned, there are fresh attempts to articulate what prosperity and well-being look like. A consensus needs to be reached – that the Green Economy should be based on three imperatives: (a) the environmental imperative, (b) the development (economic and social) imperative, and (c) the equity principle.

In a green economy framework where business-as-usual is abandoned in favour of sustainable development, women's empowerment cannot be confined to economic measures alone but must be integrated and woven in with a deeper set of social and nature-based values. Human beings, all living creatures and nature itself have an inherent life-value that cannot be reduced simply to economic value parameters.