

The Great Transition: Navigating Social, Economic, Ecological Change in Turbulent Times

by

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Trans-disciplinary thinking by evolutionary, social, and ecological economists from the mid-1970s pointed to a new paradigm from which working models are emerging. This paper illustrates their relevance to a context where the vulnerability of communities to the intertwined issues of carbon, energy, food, finance, and disparity is mounting. The strategic role of cooperative, complementary innovation in navigating these challenges is elaborated.

The Premise: From Competitive Economic Growth to Co-operative Steady-State

The premise of this paper is that the global challenges we face demand a radical transition from a globalised growth economy driven by escalating levels of debt to a federation of decentralised, social, and ecological economies.

This paper is not merely a theoretical discussion, however. The thesis proposed for SEE (Social, Ecological, and Economic) Change builds upon historic and contemporary efforts by cooperative organisations to end usury, advance local land reform, reconstruct local food systems, and forge energy solutions that can decrease our dependence on fossil fuels. The dynamic and complementary innovations introduced in this paper explicate strategic pathways that need to be interconnected to shape the social <u>and</u> ecological system that "green visionaries" like E.F. Schumacher and Ivan Illich outlined in their "tools for conviviality" arguments over 30 years ago.¹

George Benello, Bob Swann, and Shann Turnbull, in *Building Sustainable Communities*, advanced the practical implications of this convivial technology theory.² In 1989, they outlined an integrated system of land reform, regional capital mobilisation, and co-operative institution-building as cornerstones of social, economic, and ecological reconstruction. Twenty years later, these mutual models have been advanced practically and their applications have been broadened. This paper contends that these co-operative and convivial technological practices provide the strategic pathways needed for what Kenneth Boulding has called the "Great Transition."

These thinkers and practitioners were forewarning us of the need for fundamental change. This is now broadly agreed. These visionaries also emphasised the necessity for a decentralising shift to a co-operative economy paradigm.

What is now clear is that business-as-usual is no longer an option. Monthly, the evidence is mounting that the converging trends of climate change, peak oil, and environmental degradation are on a collision course with the dominant growth-driven model of globalisation.

There are many who will argue against the implication we have drawn from this evidence – that we must radically shift our economies to become more locally and regionally self-reliant

¹ Schumacher, E.F. (1974) *Small is Beautiful*, Abacus; and Illich, I. (1973) *Tools for Convivality*, Harper & Row.

² Benello, G., R. Swann, , and S. Turnbull, (1989), edited by W. Morehouse, *Building Sustainable Communities*, Intermediate Technology Group; USA.

and resilient. Some will argue it is a local rendition of protectionism, and is naively contrary to the free markets, trade, and capital flow required to engineer technologically sophisticated, innovative solutions to our multiplying problems. The importance of markets and technology is not, however, contrary to our thesis, although their ends and how they are deployed are. The thinkers we draw upon all seek to invert the ends and means of political economy so that money and capital become our servants and no longer our masters.

The main imperatives for paradigm shift are these:

The Ecological Imperative

In light of mounting evidence, the defense of global economic growth as a public good appears increasingly erroneous. On the climate change front, James Lovelock reports that the IPCC³ 2007 projections on the single most important climate change indicator – the rate of sea level rise – have been outstripped by 1.6 times⁴ Proven oil reserves continue to decline; in the past year, oil prices have doubled in spite of a recession-induced slump in consumption of 3 million barrels per day. Ongoing oil price⁵ increases are certain if the US Energy Information Administration's projection for 2025 of a 22% increase in demand to 101 million barrels per day is correct.⁶.

Assuming economic growth, even more concerning is the projected increase in carbon emissions from 29 billion metric tons (2006) to 40.4 billion in 2030^7 . With 60% of the world's ecosystems already on the edge of ecological collapse,⁸ expanding economic growth is akin to stepping on the car accelerator while hurtling toward the edge of a cliff.

The Social Imperative

Debt and social inequality are escalating in most countries. In the US, household, business, and government debt rose from 1.6 times GDP in 1973, to over 3.5 times GDP in 2007. In respect to household debt, mortgage and consumer borrowing amounted to 17% of income in 1945, and grew slowly to 59% in 1982. Since then, the household indebtedness ratio has escalated exponentially to 127% in 2006.⁹ Under President G.W. Bush, government debt almost doubled

³ IPCC refers to the Intergovernmental Panel on Climate Change, a UN-convened panel involving a wide range of leading scientists in various roles, including over 2,500 expert reviewers collaborating to review all research related to climate change. They have issued four reports since 1990, the latest being in 2007. See website: http://en.wikipedia.org/wiki/Intergovernmental Panel on Climate Change.

⁴ Lovelock, J. (2009). *The Vanishing Face of Gaia: The Final Warning* (pages 26-28), Penguin Group.

⁵ Rubin, J., Why your world is about to get a whole lot smaller, Random House, 2009. Jeff Rubin, former chief economist for World Markets at the Canadian Imperial Bank of Commerce, latest prediction of \$200-\$225 a barrel by 2012 is seen as contentious, but so was it when he predicted the sub-prime mortgage crisis and oil breaking the \$100 mark.

⁶ www.eia.doe.gov/oiaf/ieo/index.html. US Energy Information Administration, May 2009.

⁷ 2006: Energy Information Administration (EIA),*International Energy Annual 2006* (June-December 2008), website: www.eia.doe.gov/iea. Projections: EIA, World Energy Projections Plus (2009).

⁸ The Millennium Eco-System Report, 2005, <u>http://www.millenniumassessment.org/en/index.aspx</u>. The Millennium Ecosystem Assessment assessed the consequences of ecosystem change for human well-being. From 2001 to 2005, the MA involved the work of more than 1,360 experts worldwide. Their findings provide a state-of-the-art scientific appraisal of the condition and trends in the world's ecosystems.

⁹ Demograhia Statistics - Debt-to-Income Ratios: United States 1980-2006; www.demograhia.com

from \$5.7 trillion in 2001, to over \$10 trillion in 2008. From 1980 to 2009, the government debt-to-GDP ratio has climbed from 33% to 82%.

A decade ago, Doug Henwood revealed the growing social inequality of what he called the "casino economy."¹⁰

- (i) One percent of US households own 20% of GDP, 35% of assets (\$17 trillion), 51% of stock, and 70% of bonds.
- (ii) Fifty percent of low and moderate income US households own 2.5% of assets. Real wages are lower for 100 million workers than they were in 1980. The transfer rate of economic wealth is US\$ 1 trillion a year to the top 1%.
- (iii) Five hundred American billionaires own more wealth than half the earth's population.¹¹

A Call to SEE Change

To navigate the myriad difficulties ahead requires us to take hold of the proverbial steering wheel where we live. Being dependent upon global supply chains addicted to fossil fuel is naïve. Increasing local and regional resilience and self-reliance are key elements for navigating our way through a very challenging transition.

Navigating this SEE Change requires three major shifts:

First, it requires us to SEE our planet and our place in it differently, to redefine our field of vision, to broaden our understanding of the context and challenges we face, and to open our eyes to new possibilities for meeting basic needs. We need to envision and concretely manifest a way of organising ourselves that implements what John Stuart Mill positively proposed as a future "stationary state economy."¹² He argued for a co-operative commonwealth where human, social, cultural, and democratic development would replace a preoccupation with market-based "getting on" and conventional economic growth. In his 1930 essay on the "Economic Possibilities for our Grandchildren," Keynes also forecast this potential for a non-growth economy.¹³

Second, it requires us to SEEk strategic pathways that help bring our relationships with each other and with the earth into balance. Among these relationships, finance, shelter, energy, and food are four of the most basic. This paper briefly explores some current mutual and co-operative practices we believe point to generative pathways.

Third, navigating the SEE Change requires us to SEEcure the paths as we build them. Local and regional action can be expected to encounter resistance from powerful interests vested in maintaining the status quo. Thus, engagement in building strategies and movements aimed at

¹⁰ Henwood, D. (1997) *Wall Street*, Verso Books.

¹¹ 'Smith, JW (2005) *Economic Democracy - The Political Struggle for the 21st Century*, The Institute for Economic Democracy

¹² Mill, J.S. (1987) *Principles of Political Economy*, Augustus Kelley.

¹³ Keynes, J.M. (1930) Essays in Persuasion, WW Norton & Co, New York, 1963, pages 358-373.

transforming the broader political economy is necessary. Regional, national, and global action must be federated and organised to secure a life-sustaining transition.

This paper sets out the core findings of a much more extensive report produced for the BC– Alberta Social Economy Research Alliance, one node in a pan-Canadian Social Economy Research Partnership.¹⁴ This in-depth analysis sets out more expansively the theory and practices that both inform and illustrate the SEE Change thesis.¹⁵

Prescient Predictors of our Predicament: Guides to a Steady-State Path?

Kenneth Boulding's stark image in 1966 of "spaceship earth" drew on an intellectual heritage against usury that advanced a mutual aid argument of "economic sufficiency" as a counter perspective to free-market efficiency. The roots of this argument for an "economics for the common good" can be traced back to Aristotle; it has been reiterated by many co-operative thinkers, not the least of which is Gandhi's theory of Sarvodaya (for the welfare of all), which stresses that the world has enough for everyone's needs but not their greed.¹⁶

During the early years of the Space Race, Boulding tried to capture North America's attention to his updated argument for "economic sufficiency without growth" by inviting us to remove our cowboy hats and spurs and don a spacesuit.¹⁷ The image of the earth as a limitless frontier capable of generating endless wealth and absorbing endless waste is depicted as the free-range cowboy at work. In contrast, the newly emerging spaceship image sought to regard the earth for what it is: a closed system with sinks that are overflowing and ecosystems that are being compromised. From that vantage point, we are but a tiny blue planet in an ocean of black with nowhere else to go.

Boulding, a founder of general systems theory, built his evolutionary economics on the "stationary state" vision of Mill. As a student in the 1930s, he attended lectures of the Nobel prize physicist, Frederick Soddy, a brilliant progenitor of ecological economics.¹⁸ In the 1920s, Soddy was the first to identify an unsustainable pattern of growth fostered by fossil fuels. Invoking the Second Law of Thermodynamics—the law of entropy, which holds that all energy depletes and generates heat losses when used profligately—Soddy lamented the waste of fossil fuels by industrial society and the rapidity by which human beings were becoming dependent on this limited natural capital. He regarded it as an ominous sign of danger for future generations when such sources run out. Soddy showed that plants were the "true capitalists," and that we need to design the economy to operate on our planet's current account of sunlight rather than exhaust limited stocks of natural capital that need to be shared inter-generationally and in perpetuity.

¹⁴ This will be available later in 2009. Inquiries should go to ccelewis@xplornet.com

¹⁵ This paper will be available late 2009 from www.socialeconomy-bcalberta.ca/

¹⁶ Key co-operative movement thinkers include: Robert Owen, Proudhon, Josiah Warren, Kropotkin, Gustav Landauer, Martin Buber, Gandhi, R.H. Tawney, and Silvio Gesell. See also a history by social economist, Mark Lutz (1999) in his *Economics for the Common Good*, Routledge.

¹⁷ Boulding, K.(1966) The Economics of the Coming Spaceship Earth; http://dieoff.org/page160.htm

¹⁸ Evolutionary economics starts from the premise that human activities must be balanced within the limits of the biosphere.

Soddy additionally applied the laws of physics to critique the money system as another key contributor to unsustainable growth. By charging compound interest (usury, in his view), we are again flying in the face of the Second Law of Thermodynamics. Wheat rots, buildings fall into disrepair, infrastructure needs replacing; they cannot go on forever. So why should one expect that money is exempt from this incontrovertible law, especially when the impact of exponential rates of capital growth based on debt-based money systems was considered to be both socially and ecologically destructive. The tragedy Soddy pointed to was that usurious moneylending was the root cause of the profligate consumption of earth's natural capital. Thus, as the laws of physics rule out perpetual motion machines, exponential growth is a time-limited phenomenon.¹⁹

Herman Daly, the leading contemporary ecological economist, argues the case for a "steadystate" economy beyond growth by drawing together his analysis from the complementary perspectives of J.S. Mill, Soddy, and Boulding.²⁰ Daly's fourth inspiration has been Karl Polanyi, the leading social economist of the last century.

Polanyi's thesis of the Great Transformation showed that the process of "mercantilism" repressed and destroyed the power of the local guilds in order to create national laws and markets (market with a capital M).²¹ The triumph of the capital M Market signified the revolutionary ascendancy of the Economy over Society for the first time in human history. In practice, this was achieved by the legitimisation of a system of commercial values that put a monetary value on all factors of production. Thus nature, sucked into the vortex of the Market, was transformed into land for rent. Human life was converted into wage-labour. Patrimony was transformed into capital for speculation.

Land, labour, and money were transformed into commodities priced by demand and supply. This was indeed a revolution. The "great transformation" featured a slow but brutal removal of social and cultural goals as considerations in economic life. The enclosure of productive forces, namely land and low-cost capital, was the ultimate weapon for "liquidating organic society," thus enabling the big "M" international market to trample upon local markets and eradicate the "moral economy" value system of the past.

Prior to industrial capitalism, Daly shows, from Polanyi and other evidence, that economic growth was negligible. Steady-state economies, governed by social and cultural values, were the historical norm. Conventional economists deny this as being relevant today. They argue that "progress without growth" is an oxymoron.

The image of our planet having the finite limits of a spaceship, however, is confirmed daily by a flood of data. Business-as-usual is not an option. We must calibrate our existence to fit within the constraints of ecological reality. Millions of people are coming to this understanding, as discussed in the recent reports from the UK Sustainable Development Commission, *Prosperity without Growth?*, and University of Toronto Professor Peter Victor's *Managing without*

¹⁹ Soddy, F. (1926) Wealth, Virtual Wealth and Debt, George Allen and Unwin, London.

²⁰ Daly, H. (1996) *Beyond Growth*, Beacon.

²¹ Polanyi, K. (1944) The Great Transformation, Beacon.

Growth.²² The question being asked is no longer Why? but How? There are no simple answers, but there are trail-blazers pointing to productive pathways to increasing local and regional self-reliance.

Breaking the Back of Compound Interest – The JAK Bank Model in Sweden

In an interest-based system, as a rule, those with capital to lend get richer, while those without become poorer. A debt at 3% compound interest will double in 24 years, at 6% in 12 years, and at 12% in six years. If payments are missed, interest on interest escalates debts out of control.

It is generally forgotten that the earliest founders of the co-operative movements sought to avoid charging interest. Indeed, from 1830 to 1930, there was a broad range of co-operative experiments with systems based on charging an equitable financing fee rather than interest. Interest-free systems included the Owenite labour exchanges in England in the 1830s, Josiah Warren's Timestore in the USA, the Star-Bowkett lending societies in England and Australia, and "free-schilling" lending practices inspired by Silvio Gesell in Germany and Austria in the 1920s and 1930s.

The JAK Co-operative Bank in Sweden continues this "interest-free" banking practice today. It has 35,000 members, US \$163 million in assets, and US \$147 million out on loan. Members agree to pool their savings, from which 100% backed interest-free loans for mortgages, home improvement, student loans, etc., is equally available. Typical loan fees are about 2.5%. It has 30 local branches and a wider number of JAK member groups across Sweden. To keep overheads low, the local branches rely heavily on the assistance of 650 active, community-based volunteers. The volunteers are trained by JAK staff in "interest-free" lending principles and actively recruit new members.

The most basic benefits of the JAK fee-based finance model can be easily understood at the household level. Compared with a conventional bank mortgage at 8.05%, a 10-year JAK mortgage on \$200,000 would save the household \$66,690 in interest payments. In a household with two parents each earning a net income of \$15 per hour to pay these interest costs, a net saving can be made equivalent to **2,223 hours of human labour** over the term of the loan. Assuming 50% of the saving was reinvested in local purchases, \$3,333 would flow back into the local economy. If 300 JAK bank members in a community shared the same profile, an extra \$1 million in local purchases would be generated.

These positive household and community impacts are the practical counterpart to the JAK view of the negative impacts of compound interest on society as a whole.

Margrit Kennedy's analysis illustrates that compound interest is responsible, in Germany, for 80% of households transferring a billion Euros a day to the top 10%. Her analysis shows that up to 50% in interest costs are embedded as a cost in essential goods. For example, she

²² Jackson, T. (2009) *Prosperity without growth?: The transition to a sustainable economy*, Sustainable Development Commission, 26 March 2009; and Victor, P. (2008) *Managing without Growth – Slower by design, not disaster,* Edward Elgar.

demonstrates that in relation to public debt-financed services, up to 12% for rubbish collection and 77% for social housing results from compound interest charges. This significantly inflates rent and the cost of living, and drives a longer hours work culture.²³

Second, compound interest leads to a short-term orientation whereby "only projects yielding a higher profit than interest rates are worth investing in. This leads to an over-emphasis on high-yielding projects at the expense of long-term, financially lower-yielding projects, such as energy conservation, renewable energy production, or ecological farming."²⁴

Third, unsustainable economic growth is fuelled by pressure to service the capital costs that compound interest represents. Daly identifies this as the key factor in the exponential growth of debt in the economy, which acts as a twin-track treadmill to turbo-charge shopping to secure economic growth funded by longer working weeks to pay for the privilege.

Fourth, interest charges represent a depletion of life's energy. Soddy drew inspiration for his ecological economic argument from John Ruskin's analysis in *Unto This Last* that wealth is not dead capital, rather "wealth is life."²⁵ Households, communities, and governments freed of the burden of interest costs are liberated to reinvest time and money in enlarging the round of life: well-being.

JAK's ultimate goal is to raise awareness of these harmful and regrettable costs of interest...to re-establish a healthy relationship with money so that it is no longer a store of value (something to be hoarded) but a genuine medium of exchange amongst households and businesses to build real wealth and sustainable, flourishing communities.²⁶

JAK has extended its solidarity model of financing from housing development to enterprise and renewable energy services through Local Enterprise Banks (LEBs). An LEB can be created by any local group that wishes to invest its solidarity savings in local, social, and ecological enterprises that generate community benefit.

The first LEB account was for a slaughterhouse for organic meat to serve the farming community of the coastal region and islands of Bohus Province. Savings deposits to capitalise the business came from local environmental groups, the Swedish Society for the Prevention of Cruelty to Animals, and JAK members. A number of small farmers in the region have also switched their savings to the Ekokött LEB account because the slaughterhouse has made it possible for them to sustain their ecological methods of managing common grazing grounds.

What has emerged is a self-organising system of interest-free financing. By enabling supporters to autonomously mobilise a portion of their personal savings to advance the transition to a more sustainable economy, they are investing in mutual benefits: sustainable jobs and food being two

²³ Kennedy, M. (1995) Interest and Inflation Free Money, Okemos, Michigan: Sava International.

²⁴ Anielski, Mark: An Assessment of Sweden's No-Interest Bank, October 2006, prepared for Vancity Capital Corporation, Canada.

²⁵ Ruskin, J. (1985) Unto This Last and other Essays, Penguin.

²⁶ Anielski, Ibid. pg. 10

key ones. It comes with a clear advantage; group savings are less costly than a donation. JAK's account administration and project-vetting effectively channels solidarity savings into low-cost, low-risk projects that deliver high yield community benefits.

There are 50 social enterprises that have been financed by JAK, not all of them small. The largest is a renewable energy project where JAK facilitated the financing of a US \$10 million community wind farm co-operative. Through selling co-operative shares, facilitating pre- and post-savings, and staged financing, members secure electricity at a member price, sell 50% into the national grid and, in the last five years of the project, can expect to receive an additional small dividend on their investment.²⁷

Reclaiming Commons Land – Community Land Trusts and Sustainable Housing

We have established the importance of the embedded cost of compound interest to housing affordability. The second major factor is the cost of land; in many countries, it represents 40% to 60% of the cost. The JAK Co-operative Bank illustrates a promising path to solving the compound interest problem. Community land trusts represent a significant innovation in solving the problem of land cost.

Community Land Trusts (CLT) develop affordable housing by separating out the two cost elements—the market price of the land on the one hand, and the rebuild cost of the house on the other. By removing the land from the market and placing it in a CLT, the unearned equity resulting from escalating land values is taken out of the equation to the benefit of low and moderate income households and community equity. This is hugely important in maintaining and increasing the affordability of housing over time. Also important, by allowing for individuals to own equity in the housing itself (conventional rental housing under a CLT is also provided), the incentive to maintain and enhance the quality of the housing is retained. This system of "dynamic property rights," part private and part collective, is a challenging yet generative pathway to solving the long term affordability problem. With land taken out of the equation, it is possible to halve the cost of homeownership and to develop affordable housing for rent at a lower amount of subsidy.

Champlain Housing Trust Vermont (CHTV) is the largest CLT in the USA. When President Reagan slashed affordable housing programs in the early 1980s, alternatives had to be found. The election of the Progressive Coalition Bernie Sanders (now a US congressman) was a key opening. Faced with escalating housing prices due to New Yorkers buying up holiday homes, and pressure on housing from university students, housing became priced out of reach for a growing number of local people. Attempts to push through rent control failed. With guidance from Bob Swann and the Institute of Economics (ICE), Sanders and the Coalition forged a CLT plan as an alternative strategy in 1984. The CLT was funded originally with \$200,000 in seed

²⁷ Conaty, P., E. Cox, V. Johnson, J. Ryan-Collins, and M. Brown, (2009). *Decarbonising local economies: A local green new deal for community action on energy*; New Economics Foundation, UK. July 2009, and a more extensive forthcoming report in late 2009 on Energy Services Co-operatives and interest-free financing solutions.

money, and a \$1 million line of credit from the local authority.²⁸ It has expanded rapidly over the past decade, growing 20-fold from four staff members in 1999, to over 80 today.²⁹ Over the past twenty-five years, it has developed about 1,900 affordable units of housing; approximately 60% for shared homeownership and 40% for renting, including 115 limited equity housing co-op units.

CHTV combines several components that dramatically improve the quality and affordability of housing:

1. An integrated service delivered through two Homeownership Centres combines home-buyer education courses, debt and budgeting advice, and home maintenance courses. Over 300 prospective first-time buyers a year are helped by staff to understand the criteria of conventional mortgage lenders and how to meet these. The courses also raise awareness of predatory lenders and extortionate fees charged by mortgage brokers.. The money advice service helps households to reduce and bring under control consumer credit and other debt problems.

2. Financing packages made up of down payment grants obtained from local, state, and federal government sources are combined with loans having interest rates averaging almost 2% less than average mortgages (due to low loan loss rates in CLT units). Only people with household incomes under 80% of the local median are eligible. This enables two people earning only \$9.46 per hour to service a mortgage on a house worth \$49,000 more for the same monthly payment.

3. CHTV continuously mobilises over 2,500 business and individual members to regularly contribute to a pool of funds that is used to leverage other resources. This is significant membership in Burlington, which has a population of 39,000.

4. Crucially important to long-term affordability, the CHTV is able to bring all the properties that result from their work into the Land Trust, the dramatic long-term impacts of which are illustrated in what follows.

5. Finally, complementing its work in housing, the CLT has developed a day centre for the elderly, a nursery facility, social enterprise and non-profit offices, a shop front for the local credit union, an office for the community legal advice centre, and a multi-unit business incubator.

Within the limits of space in this paper, we choose to highlight a particular feature of the CHTV that illustrates the dramatic and long-term household, community, and taxpayer benefits achieved through the way dynamic property rights are being implemented.

A major study in 2008 did cost comparisons of a CLT-funded unit of housing and a traditional grant-funded unit of housing. CLTs can uniquely capture any public subsidy or land gift within the land trust balance sheet. Its robust legal structure operates to keep this public or social investment asset outside the market, unlike normal government subsidies for homeownership

²⁸ Building and Social Housing Foundation (2005). *Redefining the Commons – Locking in Value through Community Land Trusts*, UK.

²⁹ See website information at http://www.champlainhousingtrust.org/

that are lost when housing is sold. The table below reveals how the subsidy performance compares.

Initial Sale	Homebuyer Loan (No interest)	CLT Model (AMI Index)
Initial market value	\$250,000	\$250,000
Subsidy	50,000	50,000
Initial sale price	250,000	200,000
Resale in Year 7		
Sale price	375,000	245,000
Repay first mortgage	(174,051)	(174,051)
Repay public subsidy	(50,000)	0
Sales cost (6%)	(22,500)	(14,700)
Seller's new proceeds	128,449	56,249
Affordable price to next buyer	245,000	245,000
Recaptured subsidy	50,000	0
Additional subsidy required	80,000	0
Total subsidy for next buyer	130,000	0
Resale in Year 14		
Sale price	565,000	303,000
Additional subsidy required	132,000	0
Resale in Year 21		
Sale price	850,000	372,000
Additional subsidy required	216,000	0
Resale in Year 28		
Sale price	1,278,000	458,000
Additional subsidy required	342,000	0
Total subsidy invested over 30 years for 5 families	\$820,000	\$50,000

Performance of alternative subsidies over time: Co	onventional grants v. CLT System ³⁰
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The results are outstanding. Over 30 years, five sales to low-income families eligible for a subsidy in a regular affordable housing subsidy program would cost the taxpayers \$820,000. Under the CLT, it is only \$50,000. By removing the land from the market and keeping prices affordable through the CHVT resale formula, benefits can flow in perpetuity to low-income householders, the community economy, and the taxpayer.

³⁰ Davis, J.E. and R. Jacobus. (2008). The City-CLT Partnership: Municipal Support for Community Land Trusts, Lincoln Institute of Land Policy.

Mobilising Community Energy: Reducing Carbon and Fuel Poverty in Kirklees

A city of almost 200,000 people, Kirklees in the 1990s was typical of many towns and cities in the UK. It had a large stock of aging, energy-inefficient housing that was draining cash from fuel-poor households and invisibly emitting carbon. There were many ineffectual government programs. There was no focused, strategic support for mobilising and coordinating community action and diverse sources of potential investment.

It was a European Union (EU) energy efficiency program that provided the vehicle that the Kirklees municipal government harnessed to begin focusing local efforts. A key plank in the EU program was the piloting of energy management agencies at the local level.³¹ Based on their analysis that 50% of energy consumption was traceable to individual decisions, the program recognized this key fact: Without the means to reduce individual consumption in the home, effective government action is stymied.

Kirklees Energy Services (KES), an Energy Services Company (ESCO), was established by the local authority as a separate not-for-profit social enterprise. Within its first three years of operation, a total of 2,080 energy efficient measures in 1,455 households were installed by KES, and permanent carbon reductions of 34,304 tons achieved.³² Added social value was gained by targeting households living in fuel poverty. By attracting further funds to reduce fuel poverty, KES expanded the partnership system to offer free insulation and heat recovery ventilation units to householders suffering from respiratory-related illnesses due to cold homes.

More broadly, by providing advice, access to registered insulation installers, fixed discount prices, preferential credit facilities, and cash backs (funded by energy utilities and government schemes), KES has offered households a wide range of financially viable, easily accessible, and energy efficient heating and insulation measures. Moreover, in seven years, they have directly educated 3,000 households on the doorstep about the carbon reductions being achieved. Diversified promotion and advertising schemes have served to extend interest. The integrated core capacity of KES brings together and coordinates a range of partners to provide households tailored advice, support, and bespoke solutions as illustrated below.

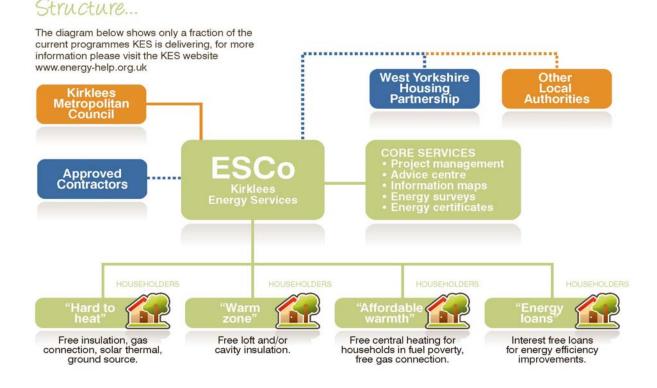
The work of KES has expanded under the UK Warm Zones program that implements energyefficiency improvements for low-income households by offering grants made available for a wide variety of conservation measures and micro-renewable energy, including solar thermal heating and air source heat pumps.³³

³¹ European Union SAVE II programme provided up to 200,000 Euros for innovative pilots. Investment had to be matched 50%. http://www.managenergy.net/products/R791.htm

³² http://www.managenergy.net/products/R451.htm. Case study covering the first three years of operation.

³³ HM Treasury (2009) Budget 2009 – Building Britain's Future (London: HMT).

Kirklees Energy Service Energy Saving Delivery System



KES initiated Warm Zones in April 2007, both in the city and the broader region.³⁴ The collaborating local authorities are spending US\$21 million over the three-year pilot, matched by \$21 million of Warm Zone funds. With its seven-year track record of returning \$4 for every \$1 of public investment, the local multiplier impact of KES could leverage an aggregate investment of US \$211 million.

The strategy of knocking on the door of every house in the region (171,000 households) and offering an integrated service aimed at maximising energy savings and carbon reduction is difficult to conceive of outside the presence of an effective community-based ESCO. KES delivery combines education, household audits, advice, and tendering of work to preferred contractors that provide quality installation at a discount, thereby extending the reach of the dollars.

KES is on track to meet their insulation target of 60% of all properties. The lifecycle saving in carbon (25 years) is 550,000 tons. One hundred new jobs will be created, and between 5,000 and 6,000 households taken out of fuel poverty. Savings to householders in energy bills will be \$7 million annually.

³⁴ http://www.managenergy.net/conference/2008plenary.html. Video of Martyn Bolt speech to EU, Managing Energy Best - Local Energy Action Award 2008, *Directorate of Environment, Transportation & Property, Kirklees Council, UK*

Martyn Bolt oversees the KES strategy for the local authority and enthusiastically points out that the \$13 million the local authorities are investing will be circulated as savings back into the local economy in just 2.5 years, a return they are very pleased with.

Integrating Social and Ecological Economy: Seikatsu Club Consumer Co-ops

"Seikatsu" ("life") means "Living people" and it is an ingenious co-operative movement that combines three normally diffuse and separate movements. Uniquely internationally, Seikatsu in Japan co-develops fair trade, the local economy, and the organic food sector regionally.

In December 1989, Seikatsu received the Honorary Right Livelihood Award, the "alternative Nobel Prize," for its success in generating a form of "alternative economic activity against industrial society's prioritisation of efficiency." It humbly began in 1965 with a group of women talking in their homes about disturbing trends in their region: an increase in imported foods, the consistent loss of farmland to development, and the migration of farmers to the cities.

Kitchen-talk about the quality and safety of their food, led the women to approach a local farmer to provide their families with milk, fresh fruits, and vegetables at a reasonable but fair price. The farmer agreed to provide produce if multiple families made a commitment to support the farm. A contract was agreed and the "*teikei*" concept was born, which translated literally means partnership, but philosophically means "food with the farmer's face on it."³⁵ Twenty years later, the teikei migrated to the USA, inspiring the first CSA at Indian Line Farm.³⁶

The heart and root of the Seikatsu movement is a collective purchasing model. A "Han" (meaning a small group) collectively plans and purchases food. Founded with the aim of "safe food at a reasonable price," the Hans integrate their values through specifying strict standards for materials, production processes, packing materials, and environmental practices. While the system started with food, its reach has extended to a wide range of consumer goods. Through negotiation with producers, the pre-order collective purchase system enables well-planned production and supply, the purchase of organic and local food at reasonable prices, minimisation of waste of natural resources, and reduction of environmental impacts.

There are over 120,000 Han groups and they aggregate demand within the 30 Seikatsu Cooperatives affiliated nationally under the Seikatsu Union Club (SUC). The SUC has adopted the term "consumer materials" to describe the products they purchase. The language is indicative of the principles under which they operate. Members see themselves as employing their collective purchasing power to secure goods for their "use value," not as "commercial goods." The SUC's Consumption Committee meets monthly to determine the items to be purchased collectively, based on members' demands and views.

 ³⁵ Robyn Van En. "Eating for Your Community. Report from the founder of community supported agriculture" <u>In</u> *Context – A Quarterly of Human Sustainable Culture*, 1995, pg 29; http://www.context.org/ICLIB/IC42/VanEn.htm.
³⁶ The larger product of the BALTA research outlines this case study.

Today, the 300,000+ members of 30 autonomous Seikatsu Consumer Co-operatives (SCC) affiliated to the Seikatsu Club Union are not only implementing a "values added" strategy to transform local food systems, they are engaged in recycling, green energy development, and social services. Their advocacy around food-related issues has led to some significant policy developments.³⁷ By 2007, the annual turnover of their purchasing "Hans" was \$687 million US. Accumulated funds stand at \$240 million. Such financial stability is rooted in the principle that members participate in investment, purchasing, and mutually supportive relationships with producers to realise their "democratic autonomy" as members.

Purchasing is viewed as an ethical, social, and ecological responsibility. New consumer materials are developed with extensive participation of members. Taste, packaging, and price preferences are determined through member engagement, and are combined with market research to design draft specifications. These are then negotiated with producers. Higher efficiencies are secured by limiting the number of regular items to 1,600 annually, compared with the 9,000 items other food co-ops carry,³⁸ and the much larger inventories held by supermarkets. SCC members view mass production and frivolous market choice as a wasteful separation of consumption from ethics. By developing "consumer materials" around basic needs, they consciously strive to strategically solve problems of health, environment, and safety.

Efficiencies are also gained in three other ways. First, the well-planned production of a "sufficient" selection of high quality foods and other goods enables efficient shipment, thereby reducing unit costs for transportation. Second, goods are delivered directly to either the "Han" or the individual through member-run pick up depots. Delivery eliminates the financial risks that can occur with high retail overheads and huge inventories. Third, the SUC has developed a standard of eight returnable bottles for a wide range of consumer materials. This reduces the price of packaging and raises the efficiency of collection, sorting, and recycling. In 2007, this system was estimated to have reduced carbon emissions by 2,121 tons.

To ensure their specifications are met, the SCU established their own independent control and auditing systems that involve members and producers from relevant sectors. In 2006, 500 independent audits deployed 4,000 members in unannounced spot inspections; a creative methodology far less costly than formal certification. Other innovative practices include:

1. Seikatsu members, with farmers, invested in establishing three milk processing plants. One hundred producers owning 5,000 cows co-operate with consumers to produce a product with a high level of raw milk, a healthy alternative to the sterilised milk dominant in the Japanese market.

2. Renewable energy development has been mobilised through engaging SCC members to lobby their municipal utilities to allocate 5% of energy bills to the Hokkaido Green Fund. This fund has developed five "citizens" wind turbines" and they are seeking to expand this model.

³⁷ Outline of the Seikatsu Club Consumers' Co-operative Union, <u>http://www.seikatsuclub.coop/english/</u>

³⁸ Seikatsu Club Consumers Co-operative: Creating an Alternative Society, Policy Research Institute for the Civil Sector, July 2008. email: civil@prics.net

3. Responding to an aging population, the SCC movement developed and manages co-operative day service centres and nursing homes with over 10,000 workers in providing care services for the elderly through 448 organisations. Home care, another feature of the evolving system, provided over 1.4 million hours of service in 2005. SCC turnover from care projects is \$87.4 million US per year. New SCC care services for the disabled and children are developing.

4. Almost 600 workers co-ops (including 17,000 worker-owners) have been spawned by the SCC with an annual turnover in 2006 of \$126,300,000.

5. Fundamental to the Seikatsu system, is a fostering of involvement by members in promoting their values by engaging in the political discourse in Japan. Beyond ensuring high ethical and environmental standards in purchasing, SCC have actively campaigned to outlaw synthetic detergents and to develop the anti-genetically modified food movement. This strategy has led to Seikatsu members setting up independent local political parties to press their aims. By 2006, 120 such parties with some 10,000 members had succeeded in electing 141 local councillors.

SEE Change – A Social and Ecological Co-operative Synthesis for Transition

In his last book before he died, Dr. Martin Luther King, Jr. made an interesting observation about the false gods of free-market capitalism and communism.

Communism forgets that life is individual. Capitalism forgets that life is social, and the Kingdom of Brotherhood is found neither in the thesis of Communism nor the antithesis of Capitalism, but in a higher synthesis. It is found in a higher synthesis that combines the truths of both.³⁹

Polanyi also described both communism and capitalism as the false utopias of the twentieth century.⁴⁰ The way forward, Polanyi argued, and King could see, was to develop co-operative political economies that enable labour to hire capital and land enclosure to be reversed.⁴¹ This required labour and land to be de-commodified by reclaiming both from the free-market. Boulding's call for a Great Transition can unite in an evolutionary plan Polanyi's social economy arguments with ecological economy arguments.⁴² Thus, a synthesis of the co-operative theories of Polanyi and Boulding provide the intellectual case for our SEE Change thesis.

SEEing the change is the first step. SEEking the change—the vital second step—is already happening by intrepid co-operators, like those highlighted above. Securing a paradigm shift—the complex and daunting third step—requires a widening and deepening of local Solidarity and "Green" Economy action to enable us to navigate the turbulent years ahead; the goal:reach a "steady state" economy as dreamed of for decades as the co-operative commonwealth. It can be done. It is being done. It must be done.

³⁹ King, M.L. (1967) Where do we go from here: Chaos or community?

⁴⁰ Polanyi, K. (1944) op. cit.

⁴¹ The first CLT was founded in Georgia by Bob Swann and Slater King (Martin Luther King Jr.'s cousin) in 1967.

⁴² Boulding, K. (1964) *The Meaning of the Twentieth Century: The Great Transition*, Harper & Row.