

Beyond Reasonable Greed: Why Sustainable Business is a Much Better Idea!

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~ 7 SUSTAINABLE ECONOMICS ~

Shaping A New Landscape

Today's economy is almost exclusively lion habitat. The structures, policies, mechanisms and professions for the most part support lion behaviour – unlimited growth, speculative markets, unfair competition and unchecked concentration of economic power. Yes, the state now has at its disposal anti-trust units and monopolies commissions to protect the public interest, and they do intervene. But you only have to look at how mergers and acquisitions have soared over the last 20 years to realise that, apart from one or two notable exceptions that were disallowed, the trend has been irresistible.

This tells you something. It is unreasonable to expect companies to shapeshift without the economy being transformed as well. We need an economy that encourages the emergence of elephant companies who are quite happy to co-exist with other companies rather than gobble them up. A sustainable economy is therefore defined as one which ensures the provision of appropriate goods and services to enhance the quality of life of all citizens; and done in a way that is socially just and equitable as well as ecologically sustainable and responsible. That is quite a mouthful. However, we are not implying by it that some Big Brother should oversee the distribution in accordance with his notion of justice and fairness. Given human nature, the majority of goods and services will invariably end up in his hands. On the other hand, we are urging you not to believe the roars and purrs of politicians and economists who are stuck in the TINA trap – where TINA stands for There Is No Alternative. Instead, we must embrace the promise of TEMBA – There Exist Many Better Alternatives some of which are introduced in the sections to follow and all of which preserve freedom of choice. Indeed, certain of the suggestions enhance freedom of choice for the poor.

7.1 Measures: Tracking the big game

The issue of a blind devotion to growth was touched on previously as one of the legacies of the lion. This section looks in more detail at the concept of indicators, the limitations of

Gross Domestic Product (GDP) as a measure of progress as well as some of the more elephant-friendly alternatives. The world we live in is exceedingly complex. We use indicators to simplify things. Indicators work in the same way as a map. They are meant to be a guide, a representation of reality, which help us to understand the lie of the land. The scale of the map and what it is trying to measure will determine how accurately and completely it approximates reality.

It is the same with indicators. Some indicators are overarching, global estimates; others are detailed, local measures. Some focus on economic activity; others on social welfare. They help us to understand 'where we're at' and how things have changed over time. Checked against our objectives, indicators tell us whether things are good or bad, better or worse. So far, so good. Except that sometimes we get lazy. In the midst of our information overload, we are tempted to oversimplify. We settle for using a 1:50 000 scale map when we really need a 1: 5 000. Or we use a two-dimensional route map when a three dimensional contour map is called for. This is the main problem with economic indicators today.

GDP is the classic example of a blinkered lion approach to indicators. GDP is a simple and useful measure of economic activity: the sum of all the goods and services produced and sold in a country in a given year. Yet ever since its invention, politicians, multilateral agencies and economists have used GDP as a proxy measure for progress, welfare and quality of life. As seen through the eyes of an elephant, there are a number of serious limitations to GDP as an indicator today.

The main weakness is that GDP measures the quantity, but not the quality, of economic growth. For example, if there is a war, an environmental catastrophe or rapid growth in the narcotics trade, more goods and services are sold but society is not better off as a result. To simplify, GDP makes no distinction between the 'goods' and 'bads' in the economy. GDP also ignores vast areas of economic activity, simply because they are not included in the formal economy. This includes the 'invisible' work performed by households, parents, communities, charities, religious institutions, NGOs and the informal sector. The economic value of these 'free' activities is enormous, yet they go unrecognised. On the other hand, GDP fails to pick up inequity or ethical considerations. It tells us nothing about the conditions under which the goods and services were produced, who is buying them or how the revenues are being distributed. For instance, we don't know how much of economic growth derives from the hands of child labour, or whether bribery and corruption assisted in clinching an extra deal. Yet, if GDP continues to go up, this is interpreted as a signal that 'all is well'.

Finally, GDP fails to capture local conditions. The economy may very well be growing nationally, but unemployment and poverty in an urban township in South Africa could be acute. On the other hand, a rural village in Chile which has a negligible effect on GDP and the official employment rate may be very much self-sufficient with a high quality of life. One wonders, for instance, what the turnaround in Stutterheim's fortunes – a small town in the Eastern Cape of South Africa whose mayor has transformed it into a thriving small

business network – contributed to GDP. Fortunately, the elephant supporters who are critics of GDP have not been without suggestions for improvement. They propose that GDP be turned into a better indicator of overall welfare or quality of life through various adjustments. At the same time separate indicators to supplement GDP should be developed.

The most widely recognised adjusted-GDP measure is the Human Development Index (HDI) produced by the United Nations since 1990. In 1995, the UN also introduced variations to HDI in the form of the Gender-related Development Index (GRI) and the Gender Empowerment Measure (GEM), and in 1997 the Human Poverty Index (HPI). This high-profile measure – with components such as life expectancy, education, health, access to basic services, income inequality and long term unemployment – begins to move us beyond tracking only lion behaviour.

One of the previously mentioned conclusions of the 2000 Human Development Report, which contains HDI rankings for 1998, is that “the link between economic prosperity and human development is neither automatic nor obvious”. For example, while South Africa ranks 49 in GDP per capita out of 173 countries on the basis of purchasing power parity (PPP) in US dollars, it is ranked much lower down at 103 in terms of its HDI score. Furthermore, South Africa has virtually the same HDI (0.697) as El Salvador (0.696), but more than double the GDP per capita (PPP US\$). Conversely, Vietnam and Guinea have similar incomes, but vastly different HDI values (0.671 and 0.394 respectively). Sweden, on the other hand, lies just outside the top twenty at 21 on GDP per capita, but comes in sixth on the HDI.

Another even more comprehensive adjusted-GDP measure is the Index for Sustainable Economic Welfare (ISEW) developed by former World Bank economist Herman Daly and co-author John Cobb. The first ISEW was calculated for the US and published in their 1989 book *For The Common Good*. The ISEW, as its name suggests, has all the features of an elephant-tracking device with more than 20 factors adjusting for the social and environmental costs of growth. The ISEW has been calculated for nine countries to date including Australia, Austria, Chile, Germany, Italy, Netherlands, Sweden, UK and America. All the countries have displayed the same basic pattern when plotted against GDP: namely that despite ongoing economic growth since the 1950s, the ISEW has slowed, levelled or declined. In other words, although we have become collectively richer if money is used as a yardstick, we are less well off in terms of human wellbeing and development. At some point in the past 50 years, our lifestyle reached a peak and thereafter began to erode on account of the very factor that was supposed to enhance it – industrial growth. Thus, economic expansion no longer translates automatically into a better quality of life.

The Genuine Progress Indicator (GPI), developed by US public policy research organisation Redefining Progress, takes a similar approach to the ISEW and reaches similar conclusions. While GDP has more than doubled in America since the 1950s, the GPI shows an upward curve from the early fifties until about 1970 but a gradual decline of roughly 45 percent since then. The GPI creators conclude that modern economic growth is actually

uneconomic – the costs have begun to outweigh the benefits. “Much of what we now call growth of GDP,” they say, “is really just one of three things in disguise: fixing blunders and social decay from the past, borrowing resources from the future, or shifting functions from the traditional realm of household and community to the realm of the monetized economy.”

The Pilot Environmental Sustainability Index (PESI) is an example of an elephant indicator that seeks to supplement rather than adjust pure economic measures like GDP. The PESI was developed by the World Economic Forum in collaboration with Yale and Columbia Universities, and launched at their annual meeting in Davos, Switzerland in 2000. The PESI has been calculated for 56 economies, with South Africa ranking 43. It is an extremely comprehensive index comprising 64 variables grouped under the following five components: environmental systems, environmental stresses and risks, human vulnerability to environmental impacts, social and institutional capacity and global stewardship.

One of the primary conclusions from the PESI analysis, which was mentioned earlier in the book, is that “there is no clear relationship between a country’s observed economic growth rate and its environmental sustainability”. Interestingly, however, a correlation does exist between an economy’s PESI and its Economic Competitiveness Index. This suggests that economic performance and environmental sustainability are not necessarily trade-offs. Occasionally, the correlation breaks down. For example, while Sweden’s Economic Competitiveness Index is almost half that of the United States (0.9 versus 1.6), its PESI score is significantly higher (76 versus 68).

Another facet of elephant-type economics thinking is to encourage local economic activity and community driven self-reliance. Development of community-based economic indicators of welfare and quality of life is of great assistance in this process. National measures provide useful information for national policies, but quality of life is always a local experience. GDP, ISEW and GPI may all be registering an improvement country-wide; but this is not helpful to a local community experiencing job layoffs and increased crime; or living next to a polluting factory; or suffering from dust-storms caused by wind blowing off nearby slimes dams.

An example of community indicators is the Quality of Life Index developed by Pierce County, Washington, USA. This benchmark project tracks 80 indicators grouped into nine separate areas of local concern. Tracking the Quality of Life Index between 1989 and 1996 showed an overall improvement of six percent. The true value of the measure, however, is in its detail. Pierce County discovered that 46 indicators had improved, 26 had declined and eight showed no real change. This kind of localised information empowers the community to tackle those specific areas where quality of life is suffering, enhance those that are stagnant and maintain the improvement in those that are rising.

Over the past 100 years, we have become increasingly aware of the interconnectedness of our global world. A highly complex web of relationships and dynamic forces shape our lives; and yet we still use outdated, simplistic and incomplete measures of progress such

as GDP. As futurist Hazel Henderson says, this is “literally like trying to fly a 747 with only one gauge on the instrument panel.” Citing another analogy, she says: “Imagine if your doctor, when giving you a check up, did no more than check your blood pressure.” In our fast-paced, information-overloaded society, indicators will become more and more important feedback signals in helping us to make effective decisions. Hence, we can no longer afford to be employing measures that mislead or disguise the real state of our progress. We need to put economics into its proper perspective, as only one measure of one dimension of human activity with potentially positive and negative impacts on society and the environment. In other words, we need to tag the lion and describe its movements and behaviour accurately. Similarly, we need to tag and track the elephants. By creating more balanced, holistic indicators, economics can once again be made to serve humans and the planet and not the other way round.

7.2 Externalities: Making the predators pay

The lion, being focused on its prey, pays no attention to any side effects of its hunting operation. So long as it is successful in its hungry mission. Any casualties along the way are just part of the game of focus, hunt, kill, move on, focus, hunt ... The top brass in the military would call it ‘collateral damage’. The elephant, on the other hand, is highly conscious of her surroundings and fellow creatures, and goes out of her way to ensure that no harm comes to them and that her actions have a beneficial spin-off. This analogy introduces the economists’ useful notion of ‘externalities’ or spill-over effects. In the lion economy, companies impose costs on society and nature without paying for these damages – these are negative externalities. On the other hand, lone elephant companies may make contributions to the community or the ecology, without being financially rewarded for these benefits – these are positive externalities.

Let us look, for example, at what happens if we decrease the stock of biodiversity, either by a wetland being drained for development, tropical forests being cleared for agriculture, or a valley being flooded for a hydro-electric power scheme. Each of these new activities have benefits, but these accrue mainly to a single beneficiary (a company) in the form of the revenue generated from the product or service created. However, these activities also have social and environmental costs for which the company does not pay. There may be local externalities such as declining soil fertility, soil erosion and loss of local habitat, as well as global externalities including the loss of potential scientific discoveries (such as cures for disease), a decrease in carbon sink facilities, impaired capacity for regulating the climate and extinction of natural species. In an elephant economy, the company would be made to foot the bill for these wider costs. There are numerous other examples of environmental and social externalities. The effects on health of passive smoking are a typical negative externality. So is pollution of the water, air or land when these affect a third party without compensation. Other examples are congestion of public areas, noise, the introduction of viruses or diseases, crime and hazardous incidents.

Before sustainability became such a priority, companies as the proverbial kings of the jungle were able to ignore many of their social and environmental externalities. Business saw its task as making products, delivering services and generating profits. Dealing with any unfortunate side-effects of this money-making process was, they argued, the responsibility of governments and charity organisations. Today, the situation is vastly different. The sustainability trend is forcing companies to internalise their social and environmental externalities, i.e. account for them in their own books.

Climate change provides excellent examples of the application of economic instruments to promote sustainable commercial activity. Let's talk about the externalities first. Research by the World Health Organisation estimates that a failure to reduce greenhouse gases - the chief source of climate change - to a level 15 percent below that pertaining in 1990 will result in 700 000 avoidable deaths annually, or more than eight million deaths between 2000 and 2020. The deaths will be caused mainly by diseases like malaria brought on by warmer surroundings. In addition, climate change is expected to cause massive damage to property and infrastructure as a result of more severe and unpredictable weather patterns in the decades to come. Agriculture- dependent economies and low-lying coastal cities or island states have the most to lose. According to Dr Andre Dlugolecki, director of the world's sixth largest insurance company CGNU, damage to property due to global warming is currently rising at 10 percent a year and could "bankrupt the world" by 2065.

As far as the International Energy Agency is concerned, implementing climate change policies could cost the US economy \$400 billion in losses in GDP and raise the price of gasoline by 53 percent, electricity by 86 percent and residential natural gas by 110 percent. Moving across the ocean to Australia, anticipated policy reforms in relation to greenhouse gases are predicted to cause a 12 per cent hike in the price of aluminium, A\$5 billion of additional costs for the power industry and A\$70-350 million of extra costs to the oil refineries. All of these costs, and many more, are indications of a collective externality that energy-hungry industries have imposed on society. The lions have been free to enjoy the spoils of their prowess but have not paid the price for their success; namely the cost of fixing the damage they have caused in the course of the hunt. But not for much longer. The elephants are trumpeting in a new era, one in which economic instruments will force the lions to swallow and digest their externalities.

Economic instruments can take many forms; and the wonderful thing about the economic shapeshifting taking place around climate change is that it is serving to pilot-test many of these flexible instruments. We are seeing, for example, development funds, penalty taxes, incentive subsidies and markets in tradable emission permits being launched in rapid succession. One of the first climate change funds to be launched was the World Bank's Prototype Carbon Fund which finances projects that reduce greenhouse gases. By the end of 2001, it had received \$60 million of funding from twenty multinationals and five countries. In Japan, low-interest loans are being offered for energy efficiency investments, while the US through its Climate Change Technology Initiative is

introducing energy efficiency tax incentives and research and development subsidies to the tune of \$6.3 billion.

In 2001, the UK government introduced a Climate Change Levy (CCL) which is a tax on the industrial use of energy. The CCL will add between five and 10 percent to industry's fuel bills. However, some energy intensive sectors have been offered up to an 80 percent discount on the CCL if they agree to sign up to certain minimum improvements in energy efficiency or reductions in emission. A similar energy tax is being proposed in Germany. Also in 2001, the UK launched the world's first national greenhouse gas Emissions Trading System. Essentially, such a system means that a company which faces exorbitant costs in reducing its emissions to a designated level can buy credits from another company which can reduce its emissions below the designated level with relative ease. These credits then allow the purchaser to continue emissions above the targeted level for the length of time for which the credits are valid. Nevertheless, the costs associated with this option can still be considerable. Other countries and regions are considering following suit, including Australia, Canada, Denmark, the European Union, New Zealand, Norway and the US. In the last mentioned country, major firms from the Midwest region are already participating in a pilot scheme known as the Chicago Climate Exchange following their history of successfully trading other emissions such as sulphur dioxide and nitrogen oxides. The International Energy Agency estimates that \$30 billion of greenhouse gas credits will be on the market for trading in 2008. A significant fraction of these will be available to developing countries to trade under the Clean Development Mechanism of the Kyoto Protocol.

Some proactive companies have hedged their bets by doing early trades at discounted prices, qualifying them as elephant drag queens on their way to becoming genuine elephants. Already these deals involve an equivalent reduction in emissions of over 10 million tons of carbon dioxide. Companies like BP Amoco and Shell are preparing for the effects of these economic instruments by implementing internal trading schemes on greenhouse gas emissions. Aidan Murphy, Vice President for Climate Change at Shell International, explains the rationale as follows: "It will change the shape of our energy portfolio and reduce future risk." Moreover, the effect of factoring in carbon prices of \$5 and \$20 per ton of carbon dioxide generated, he says, "will be to gain us a competitive position compared to other companies as a carbon constrained environment is already a market reality".

Without a doubt, we can learn from this experimental phase of addressing climate change, whereby economic instruments are being used to promote sustainable business practices. There are numerous examples from other fields to build on as well: from taxes on noise levels in the Dutch airline industry to levies on UK landfill waste sites to economic incentives in South Africa for recycling aluminium cans. By instituting measures to promote sustainability which are flexible and market-based, governments are educating the lions of the old economy to become more aware of the external costs of their behaviour (and be accountable for them). One can call this shapeshifting of a kind but it is not truly

converting the lions into elephants. After all, if the incentives were removed, the lions would immediately revert to their old behaviour. What you want is for the lions to volunteer to be different, but perhaps this is asking too much.

7.3 Markets: Taming the casino cats

Each day, the turnover in the world's financial markets is now in excess of \$1.5 trillion. It is at least 20 times more than it was in 1980. The explosive growth of this global casino is largely as a result of introducing two new games: futures and derivatives trading. It all began on the Philadelphia Stock Exchange in 1971 and has escalated to a level where only around two percent of capital flows are backed by trade in real goods. Even the outlaws of this universe are surreal. In the old days, they used to rob banks and ride off with their satchels stuffed with cash – remember Jesse James and Billy the Kid. The new version is the rogue trader who loses all the bank's money in a few unauthorised transactions. And you don't even see the notes disappearing because it's all done electronically.

Not so long ago, the grave warning of economist John Maynard Keynes echoed loud and clear above the chaotic din of frantic stock market traders: "When the capital development of a country becomes a by-product of the activities of a casino, the job is likely be ill-done". Modern critic, David Korten who is author of *When Corporations Rule the World*, calls this phenomenon "de-linking money from value". He argues that capital is being diverted away from long-term productive investment in the 'real economy' in favour of short-term speculative investment in the 'virtual economy'. Keynes and Korten can both be classified as elephants with a keen sense of hearing. They picked up signals of just how real and harmful the effects of this money-making game can be on real people. Furthermore, since the development of expert systems and programmed trading in the 1960s, financial markets have become increasingly depersonalised and automated. High tech means high speed and everybody gets to know the same news at the same time. Gun-slinging traders simply chase the highest margins and returns without any regard for the consequences on local communities, the environment or whole national economies. All in the name of that familiar feline slogan – free trade.

It comes as no surprise that those who are grabbing the lion's share of the benefits from speculative trading are the same ones that have been roaring for greater deregulation of capital flows over the decades. Their selfish tirades have been remarkably successful too, beginning with the creation of the Eurodollar markets and the discontinuation of the gold-dollar fixed exchange system in the 1970s and culminating in their proposal for a Multilateral Agreement on Investment in the late 1990s. Through the calculating lions eyes of the financial heavyweights, these developments have read like a tale of triumph against government control over money. However, from a social or public perspective – the elephant's point of view – the trend has only served to concentrate power in the hands of an unelected, invisible few with accountability to no-one but themselves.

One of the worrying side effects of speculative trading is an increase in the volatility and instability of financial markets. In turn, by making real economies more unpredictable,

these roller-coaster fluctuations destroy the livelihoods of small traders and farmers, increase business bankruptcies and disrupt the plans of supposedly sovereign governments to provide a better life for all. The net result of these dizzying effects is a decrease in self-reliance at national, community and individual levels. Ask the Enron pensioners how they feel about having their entire pensions wiped out and having to rely on welfare to survive. Ask any recent visitor to a book shop in South Africa. The precipitate fall in the Rand has put an ordinary imported paperback beyond the reach of all but the wealthiest customers. No wonder a Commission has been set up to look into why the currency fell.

The 'systemic risk' which such financial craziness poses is widely recognised, as an International Banking survey supplement in *The Economist* indicates. So too is the need to tame international financial markets, given the establishment of bodies with imposing titles like the Basle Committee on Banking and Supervision (BCBS), the International Organisation of Securities Commissions (IOSCO), the US Commodity Futures Trading Commission (CFTC) and the Commission for Global Governance Committee on Global Financial Markets (GCFUN). We even see former super-lions like George Soros (infamous for making over £1 billion from the devaluation of the pound in 1994) showing signs of shapeshifting. Soros is on record as saying that current financial markets will never serve the common good unless controls are introduced. Among other things, he now advocates that "all derivatives traded by banks should be registered with the Bank for International Settlements (BIS) through various national regulatory agencies".

Soros is not alone in trumpeting ideas for change. In 1987, economist James Tobin suggested two possible routes for reform of the international monetary system. Either we have to make currency transactions more costly to reduce capital mobility and speculative exchange rate pressures, an idea derived from Keynes; or there needs to be greater world economic integration, implying eventual monetary union and a World Central Bank. The first approach, which has become known as the 'Tobin tax', was favoured by Tobin and has also become popular among economists and politicians. Tobin described his proposal as "an internationally uniform tax on all spot conversions of one currency into another, proportional to the size of the transaction", suggesting a charge range of between 0.5 to 1 percent. Economist Rudi Dornbusch goes further with a recommendation of a cross-border tax on all financial transactions instead of just currency trades. The tax would be collected by the governments concerned.

Subsequently, the United Nations Development Programme (UNDP) commissioned a study by a group of influential economists, which came out in support of a Tobin fee of between 0.05 and 0.25 percent. This was later endorsed at the UN World Summit on Social Development in Copenhagen in March 1995 by France's President Mitterand, Norway's Prime Minister Bruntland and Denmark's Poul Nyrup Rasmussen. Later that year at the G-7 Summit in Halifax, the idea was given a further boost by Canadian Human Resources Minister Lloyd Axworthy and UN High Commissioner for Human Rights Jose Ayala Lasso. Nevertheless, despite the support of all these worthy people, the 'Tobin tax' has yet to be enacted.

Those in favour of Tobin's second alternative for reform have proposed an International Currency Unit, to be administered by a World Central Bank and based on an equivalent 'basket' of goods in each country. The value of these baskets in domestic currency would determine relative exchange rates, which would therefore depend on real domestic economic conditions rather than short-term currency movements. Others have called for the co-ordination of interest-rate policies among the G-3 (the US, the European Union and Japan), thereby enabling countries to pursue their own interest-rate objectives without destabilisation from competing interest rate policies induced by foreign exchange transmissions and speculation.

Yale University professor and official historian of the UNDP, Ruben Mendez, has proposed a social innovation that may work in conjunction with a currency exchange fee or as an alternative to it. He proposes that a not-for-profit global foreign exchange facility (FXE) should be established to perform foreign currency exchange transactions. It could be set up as a public utility, possibly franchised by a group of governments and the UN and in partnership with the International Monetary Fund and Bank for International Settlements.

GCFUN Commissioner, T. Ross Jackson, on the other hand, has suggested a currency market 'circuit-breaker' analogous to the one on Wall Street, whereby trading would be halted if a currency came under speculative attack. This would represent an important social innovation because it offers national governments and central banks a new domestic macro-management tool to insulate their currencies and economies from attack – without having to raise interest rates and subject their citizens and businesses to the risk of an induced recession. Argentina recently used a 'circuit-breaker' internally when it re-introduced a floating currency against the US dollar. Citizens had to wait a few days before being permitted to trade pesos for dollars or vice versa.

All of these proposals have elephant traits and sustainability motivations. On the one hand, they are an attempt to reduce the probability of a global financial meltdown, the social and ecological consequences of which are too frightening to contemplate. On the other hand, they are aimed at restoring self-reliance to countries and communities who are adversely affected by repeated financial market shocks, crises, capital flight and general volatility. In the elephant version of a globalised economy, the casino cats will not only be tamed but will be forced to stop chasing their tails and start making a real contribution to society.

7.4 Investments: Channelling the rain water

On the plains of Africa, water is a precious, life-giving resource - much like investment is to the economies of the world. The elephant seeks to channel water in such a way that all animals can benefit, while the lion jealously guards the pool for himself. One way of using capital flows to make a real contribution to society is by directing them towards the growing tide of sustainability projects. This international elephant-friendly trend – also called ethical investment and the socially responsible investment movement – broadly

comprises the conscious use of investments to achieve social, ethical and environmental objectives as well as to make a reasonable financial return.

The 'sustainability investment' phenomenon can be traced back to the beginnings of the corporate social responsibility movement in the United States in the 1930s. But it only really became visible in the 1970s when church and university groups set up funds, such as the Pax World Fund, to avoid investment in any companies which supported the Vietnam War and the Apartheid regime in South Africa. The trend continued to spread and settled into two basic approaches – shareholder activism and screened investments.

Shareholder activism is where groups of shareholders campaign for changes to what they perceive as the unethical practices of the companies they have a stake in. Often they use the annual general meeting as a platform to lobby for their views and create public awareness. Rio Tinto has been on the wrong end of the stick from such groups for years. In the United States, investors who play an active role in 'shareholder advocacy' of social responsibility issues are estimated to hold assets of \$922 billion. That represents sizeable clout so that companies prepare themselves in advance for investors who sponsor or co-sponsor resolutions on social issues. It makes for a more exciting annual general meeting. Screened investments, on the other hand, deliberately exclude any investment in companies associated with oppressive regimes, armaments, animal exploitation, tobacco, gambling, alcohol production and environmental degradation. More and more, screened investments are also using 'positive inclusion' criteria, whereby they actively support investments in companies with a good record in environmental awareness, employee welfare or community involvement. This is an evolving field that has grown to embrace over 300 different criteria, with gun control and opposition to genetically modified food among the more recent issues to be factored in.

After growing steadily throughout the 1970s and 1980s, screened investment took off like a rocket in the 1990s. In the US, sustainability investment funds grew 82 percent between 1997 and 1999 (about twice the overall growth rate) and reached a total of \$2.2 trillion or some 13 percent of all funds under management. There are now around 200 ethical mutual funds in the US. The growth picture in Canada has been similar though the totals are smaller, while the UK market doubled every three years in the 1990s, reaching almost \$5.9 billion in 2001. The spread through Europe has also accelerated with 20 sustainability funds being started every year since 1995 and reaching a total of almost 300 in 2001. They are worth an estimated \$2.5 billion. Asia lags behind, but the pattern of growth is the same.

Along with the plethora of ethical investment funds that have been established globally, several indexes have been introduced which further illustrate how ethical investments have gone mainstream. These include the Business in Environment (BiE) Index, the Dow Jones Sustainability Group Index and the Tomorrow Top 30 Index. The BiE Index of Corporate Environmental Engagement surveys the FTSE 350 listed companies, while the Dow Jones Sustainability Group Index covers companies globally with an aggregate market capitalisation exceeding \$5 trillion. The Tomorrow index ranks the 30 companies which

appear most frequently in the portfolios of 200 of the world's principal funds which call themselves socially or environmentally responsible.

Sustainability investment funds are not limited to developed countries. In South Africa, for example, there are more than a dozen funds that screen on social and environmental criteria. They range from the pioneering Community Growth Fund launched in 1992 to the most recent entrant, the Fraters' Earth Equity Fund established in 2001. The spotlight thrown on companies by these funds sometimes brings a rude wake-up call to the coziness of the boardroom. One fund, for example, downgraded an industrial company and cited the following reasons for doing so: "Appalling relations with the union, doubts about the effectiveness and 'tokenism' of their affirmative action policy, an ineffectual retraining programme, environmental problems, and the re-deployment of white managers as consultants at higher cost".

The natural assumption, especially of the cynical lions, is that these sustainability investment funds must sacrifice financial returns in order to achieve their social and ecological objectives. Indeed, a survey by the UK sustainability fund, NM Conscious Fund, revealed that 87 per cent of the unit owners had bought on the strength of the ethical approach of the fund, whereas seven percent had done so on the grounds of investment performance. But surprising though it may seem, evidence is mounting that many sustainability investments actually outperform the market. For example, an analysis of the US Domini Social Index of 400 ethically screened companies shows that it marginally but consistently outperformed the Standard & Poors 500 Index over a seven year period. In 1999, according to Credit Suisse, the 20 largest socially responsible funds averaged returns of five percent above the benchmark S&P 500 index. And the Dow Jones' Group Sustainability Index has also outperformed the market in its two years of existence. So the business of doing good can be good business too.

According to Russell Sparkes, author of the book *The Ethical Investor*, there are good reasons for this unexpectedly superior performance of sustainability funds. In the first instance, responsible investors are forced to avoid large conglomerates and concentrate on smaller companies, which are more likely to grow faster over time. The exclusion of certain companies on the grounds of moral or environmental repugnance may be an indication of legal action and financial problems to come. At the very least, an ethical approach constrains the investor to target companies with decent housekeeping policies. Lastly, sustainability investment requires a higher level of knowledge about the companies in which a stake could be taken than investment managers normally possess: hence sounder choices are made.

It is important not to lose sight of the wood for the trees, however. What are the 'real returns' of sustainability funds? Their true value is in directing money towards the fulfilment of social and environmental goals which usually get under-funded in the marketplace. Their returns therefore are not intended to be short-term and may not be astronomical in the longer term. Instead, their legacy may be a better world for future generations to live in. In addition, ethical investment may be building up an important

system of checks and balances to counter the unrestrained power of the large, influential companies of the lion economy.

7.5 Money: Extending a helping trunk

One of the fundamental flaws of the lion economy is that unless you are a predator or lucky enough to be one of the elephants selected by an ethical investor in the previous section, your chances of survival in the open bush are low. You need to be either working for a lion company, or you need to be a foxy entrepreneur. If your social upbringing, your education, your set of beliefs or your economic connection only allows you to eat grass, you can forget it – you're probably dead meat!

The old view of economics is that if only lion companies are allowed to go about their business without interference, there will be jobs for all – full employment. This being the case, anyone not working deserves to suffer because it means that they are basically lazy or not trying hard enough to learn how to hunt. Hence, it is fitting that they are condemned to a survivalist existence as somebody has to pick up the crumbs that fall from the lion's table.

The problem is that economic growth is no longer (if it ever was) a guarantee for creating jobs. Jobless economic growth is the new reality. Companies in the US Fortune 500 list, for example, shed literally millions of jobs in the last two decades of the twentieth century. Nor have the foxy entrepreneurs been able to make up the enormous shortfall of jobs, especially in vulnerable developing economies. As a result, there are hundreds of millions of people whose potential is wasting away while they struggle to make ends meet without any source of income.

This type of economic barbarism rubs elephants up the wrong way. It goes against their beliefs about human rights, democracy and ethical behaviour. More than this, it goes against good common sense. Therefore, a pioneering group of elephants are arguing that a fundamental re-perception needs to occur about the way that we structure work and welfare. We have to move our focus from creating employment to creating livelihoods. We have to empower people to put whatever skills and talents they may have to good use. People should not have to spend all their energy and resources on struggling to survive. Nor should they have to wait to be offered a job or to be told that they are economically valuable only when they engage in productive work for someone else in the private or public sector.

But how would a more universal model of empowerment be achieved? There are no easy answers or ready-made solutions to this one. The shapeshifting has yet to occur. We have to de-link ourselves from the notions of classical western economics and come up with ideas from other sources. In this vein, there are three powerful avenues that merit further explanation. The first two have been around for some time and the third is beguiling in its simplicity. All three have the potential to start stretching our snouts into trunks and our fangs into tusks. They are barter networks, parallel currencies and the basic income grant.

Barter networks are one way to address the apparent scarcity of money. Most estimates place the value of bartering at 10 to 20 percent of world trade today. And much of this is made up of highly sophisticated transactions. In the US, there are information networks operating barter systems worth more than \$7.5 billion a year. Although they have their limitations, barter networks have great potential for empowering communities that are cash-poor. One inspiring example is called Adopt-A-Neighbour, a scheme which Lawrence Snell, a former insurance consultant, co-ordinates in Cape Town, South Africa. He describes the seed for the idea as follows: "As a child growing up in the informal settlement of Elsie's River (after being evicted by the government from the suburb of Vasco), I was exposed to the *kanalah* system of empowerment among the Moslem community. *Kanalah* means much more than literally 'please'; it's something about doing things for Allah. This system is chore-related and not about monetary value." Today, Adopt-A-Neighbour co-ordinates a barter exchange system among its local Strandfontein community of 4 000 families. The barter network's philosophy just about sums it up: their mission is 'helping you achieve sustained, fulfilled living'; their vision is 'when you need help, we are all the help you need'; their goal is to answer the question 'how may we help you?' successfully; and their currency is 'goodwill' which is not measurable.

The poverty-stricken city of Curitiba in Brazil is another example of the creative use of bartering. In the 1990s, the city faced two problems: an under-utilised public transport system and mounting piles of garbage in the streets. So the mayor invented a new system where he would give one bus token in return for each bag of pre-sorted garbage delivered. This extended to giving students notebooks in exchange for the garbage. Building on the success of this initial experiment, Curitiba managed to complete numerous public projects for which there was no official budget, and thereby improved the quality of life of its citizens drastically.

Parallel currencies are simply a more flexible form of barter exchange system. The basic idea, which is to have local currencies running in parallel with the official national monetary system, is not as new as some might think. Among the first examples of this phenomenon are the 'Guernsey island notes' issued in 1819, Robert Owen's 'National Equitable Labour Exchanges' in London and Birmingham and Joseph Warren's 'Time Notes' in Cincinnati in the 1830s, and Silvio Gesell's 'stamp script money' in the Austrian town of Worgl during the years of the Great Depression in the 1930s. In fact, the Depression subsequently caused hundreds of European and North American cities to issue their own money in order to speed up recovery. One of the initiatives to endure was Switzerland's 'WIR' script - a currency exclusive to WIR-Messen, a member-owned co-operative exchange system started in 1946. By the mid-1990s the co-operative comprised thousands of members and was responsible for 19.7 million Swiss Francs equivalent of trade.

Today, one of the most popular and enduring parallel currency systems is LETS. It stands for the Local Exchange Trading System. LETS was first established by Michael Linton in 1983 when his rural community in British Columbia, Canada, was devastated by an economic recession. The system allows members to trade both goods and services,

using a combination of conventional currency and community-created credit called 'Green Dollars'. Members' balances are kept on a central computer programme and are updated on a daily basis. LETS has since spread to other countries including the US, England, New Zealand and Australia.

In developing countries, there are numerous variations on the LETS theme: the Bia currency in the Kud Chum district in Yasothon, Thailand; the Tlaloc currency in the neighborhood of Colonia Tlaxpana, Mexico; the Compromisos of Toctiuco in Quito, Ecuador; and the Bons de Travail of the Grand-Yoff district of Senegal's capital, Dakar. Hazel Henderson claims that a similar type of 'local currency' rationale was behind China's record run of domestic growth. Transactions between Chinese citizens were all done using 'village money' or the Renminbi, which was not easily convertible to the Yuan or to the Foreign Exchange Certificates issued to visitors. Thus, the bulk of income generated internally did not leak out of the country.

LETS schemes and other parallel currencies display all the essential features of money: they are a means of exchange, a unit of value, a store of worth, a form of organisation and a relationship of trust. Importantly, however, they tackle the problem of low local liquidity since they do not require participants in the scheme to have a formal job, an income stream or a stock of money to get themselves started. The genius of parallel currencies is that money is only created by the act of goods or services being exchanged. Hence, they don't lead to inflation but spread wealth to where it is most needed in a community.

Before moving on to the third idea, one of us has for several years proposed a variation of LETS: the establishment of local stock exchanges in each province of South Africa so that local venture capital finds its way into local businesses. It makes sense for investors to be able to visit the entrepreneurial ventures they invest in and inspect the books. This they can only do if they live in the neighbourhood and get acquainted with the owners of the businesses. The shame at the moment is that the bulk of any savings that a community does manage to accumulate usually finds its way via the local branch of the banks into the big city projects – because the latter are regarded by the bank's head office as a safer bet. Gone are the days when bank managers were regarded as prominent leaders in the community playing the crucial role of extending credit to farmers and tradesmen, particularly when they had fallen on hard times. Today most bank managers are rotated (if they still exist) so they never get to know their clients; and all loan requests are handled centrally by bureaucrats and computers with the consequence that only your assets – and not your character – count in obtaining a loan. And who wants an umbrella in the sunshine?

The final jumbo-sized concept for delinking survival and jobs is the institution of a Basic Citizen's Income which has been promoted by the London-based New Economics Foundation for a decade now, and is gaining support worldwide. In South Africa following the 1998 Job Summit, the leading trade union federation COSATU is campaigning for the implementation of a Basic Income Grant (BIG). The details are being extensively researched by its Economic Policy Research Institute. The basic idea is that every citizen

should be entitled to a minimal annual grant that will keep him or her just above the poverty datum line. South African economist, Margaret Legum, explains the BIG concept as follows: "All nationals would be entitled to a BIG, from the cradle to the grave. It would not be means tested. It is not a 'safety net' for losers. It would be enough to supply basic needs but not enough to discourage people from working for money. It would be less for children and more for old people over working age. It would be given out automatically, like a pension or child allowance. It would require no bureaucracy to administer. It could be financed in a number of ways, mainly through one of the alternative taxes, such as eco-taxes."

She explains that a BIG would enable all citizens to have a stake in the economy. It would boost purchasing power for everyone, hence it would stimulate a market for local enterprise. It would enable some essential work, like childcare, to be done full-time. Introducing a BIG would prevent extreme labour exploitation, since people would not be desperate enough to accept appalling conditions of work. It would also end the extreme poverty and desperation that undoubtedly fuels crime. And it would put an end to the cramping humiliation of the fear of starvation.

All of these ideas – barter exchange networks, parallel currencies and the BIG concept – are attempts to release the masses of poor and unemployed people from the claws of the lion economy that ties survival to formal, money-paying jobs. We are not suggesting that these are the best, or the only, ways to solve the problem of community economic empowerment. They are, however, illustrations of how we can begin shapeshifting towards an elephant economy that successfully includes all people and cares for them, rather than cutting them off and throwing them on the lion's trash-heap.

7.6 Banking: Financing a healthy herd

We have already touched on banking twice in this book, but the industry as a whole deserves a separate section. Lions say that 'money makes the world go round' and then turn the saying into a self-fulfilling prophecy by controlling the purse strings. It is one of the great ironies of the feline economy that those who most desperately need money are denied it, or made to pay an exorbitant price to get it. Most banks consider the poor as 'unbankable' and focus their appetites on 'high net worth' individuals. The latter are usually shareholders as well, so they don't ask questions about where the bank invests its money as long as it hunts down the best financial returns. In these circumstances, the bank is an exclusive preserve for lions with the lion king (the CEO) occasionally gracing the front page of the financial press to report another significant increase in earnings per share.

In the elephant economy, however, equitable access to finance is high on the list of priorities, as is ensuring that the banks invest their money in sustainable activities. An example of financing a healthy herd is the growth of the community development banks in the USA. They have adopted the express objective of providing financial services and investment to marginalised communities in order to aid their upliftment. These banks have

financed over \$2.5 billion worth of community economic development, with the five largest having made loans in excess of \$400 million since their inception.

The South Shore Bank of Chicago is a classic example, the heartening story of which has been featured by the Harvard Business Review. Back in the 1960s, some its employees were bankers by day and community volunteers by night. They would have deep discussions at the Eagle Bar about the problems of inner cities and what to do about them. One of these 'idealists' took over the leadership of the bank in 1973 in a bid to save it from closing and to prove that a commercial bank could be a vehicle for regenerating impoverished communities. The bank not only survived, but has since lent more than \$130 million to 7 000 local business people with a 98 percent repayment rate (the same rate of repayment has been achieved by the Grameen Bank in Bangladesh). They have also trained more than 2 200 people, found jobs for another 2 700, built upwards of 9 000 housing units and disbursed more than \$1 million in low-interest energy conservation loans. And all this has happened in a community where one fifth of the population lives below the poverty line. South Shore talks about the secret of its success being a return to "old-fashioned banking" in which "banks have local areas and they owe those areas service".

Social banks are the European equivalent of America's community development banks. Their services are intentionally aligned with social and ecological goals and projects. As a sector, these banks are estimated to have financed more than 5 000 'social economy' projects by investing in excess of \$100 million. To understand what is meant by social economy, we can look to the example of Triodos Bank. Triodos is a European bank that gives financial support only to "projects and enterprises which create social and environmental value". They operate in fields such as renewable energy, social housing, complementary health care, fair trade, organic food and farming and social business - all areas which are traditionally underfunded. The beauty of their system is that, as an elephant-friendly bank depositor, you have the choice as to what human or ecological initiative you wish your money to be directed towards in the form of a loan. You may also choose to pass on an interest rate 'discount' to the prospective projects you are supporting, by requesting a lower interest rate on your savings. Triodos also finances fair trade and microcredit organisations in developing countries.

Another issue that concerns sensitive elephant types is the potentially perverse effects of interest on the most vulnerable sections of the population. While charging interest on loans dates back more than 4 000 years, so do critiques of its negative impacts. Often the problem arises where destitute borrowers fall prey to loan-sharks who charge exorbitant interest rates, thus setting off a downward spiral into the so-called 'debt trap'. This practice of excessive interest is the 'usury' that most of the world's religions have condemned since antiquity. Often, the hidden poison that kills borrowers is not the rate itself, but the fact that it is compounded over time – in other words, charged not only on the original loan sum, but on accumulated interest as well. This has the effect of institutionalising exponential growth of interest rates. To illustrate the potentially

devastating effect of this creeping interest, one penny of debt incurred at the birth of Jesus Christ with a compound annual interest rate of five percent would have grown to the cost of one ball of gold equal to the weight of the Earth by 1466. If repaid in full in 1990, the sum would have purchased 2 200 billion of such balls of gold.

One of the most visible and tragic examples of the casualties of the compound interest trap is the Third World debt crisis. According to the United Nations, at the height of the crisis in the late 1980s the \$1.5 trillion in debt repayments by developing countries was three times greater than the original amount owed in 1980. Despite these repayments and more since, the total debt of developing countries is still estimated to stand at more than US\$1 trillion. Moreover, more money is flowing out of developing countries to service the debt than is being pumped in through international aid. A more effective treadmill could not be devised.

Even though we mentioned the problem of the discount rate at the beginning of Chapter 5, it bears repetition here. Discounting is really the opposite of compounding. Just as a penny today gets unimaginably large when compounded over a long period of time into the future, so a treasure of a million pounds received in a hundred years time appears to be worth a trifling amount now after being discounted. Hence, if the return on keeping a natural resource or investing in a social project happens to be long term, it makes 'economic sense' to exploit that resource now or cancel the project in order to invest the money elsewhere. This theoretically leads to 'economically rational extinction or depletion', an absurdity which ecological economists Daly and Cobb lay bare by asking 'when to kill the goose which lays the golden egg?'

German Professor, Margrit Kennedy, also argues that interest is a key component of pricing. She calculates, for instance, that around 50 percent of the prices paid on basic goods and services in Germany are hidden interest costs, paid at each step of the production process. On this argument, a hike in interest rates will directly add to 'cost-push' inflation (negating the dampening effect on 'demand pull' inflation). She also shows that the growth in national interest payments in Germany is outstripping the growth in Gross National Product. Finally, she claims that interest causes income to 'trickle-up', citing the evidence that the poorest 10 percent of German households pay out net interest every year while the richest 10 percent receive net interest. "No wonder", she says, "the rich are getting richer at the expense of the poor."

In reviewing these criticisms of banking and interest, we are not suggesting that an elephant economy will wipe out either, or should wish to. However, ways will have to be found to counteract the negative effects of interest and turn financial institutions into forces for positive change. After all, money is the only commodity where the price rises the poorer you are. Imagine going into a shop to buy some bread. You ask the owner the price and he replies: "How much are you worth?" If you demonstrate that it is your new Mercedes that is parked outside his shop, he gives you a fat discount. If, on the other hand, you are unconvincing about your wealth, he charges you double the normal price. Is that justice? Yet in the world of credit, that is precisely what happens on the grounds of

the greater the risk, the greater the reward, So it all depends which side of the coin you are looking at: the lion's head or the elephant's head.

One of the schools of economics that may have the most to contribute to the shapeshifting of financial institutions is Islamic economics. Since the Islamic tradition embodies serious concerns about the negative distributive justice and equity effects of financial interest, Moslems have gone a long way towards exploring alternative institutional mechanisms collectively called 'Islamic banking'. The specific methods for implementing Islamic banking have centred around equity-based approaches. For example, *Mudarabah* is essentially a joint venture between the bank and a partner with both contributing to the capital of the project and sharing the profit or loss. Another approach, *Musharakah*, requires that all the capital for an investment is provided by the bank in return for a predetermined share of the profit or loss of the business undertaking.

The emphasis in the Islamic banking approach is, therefore, very much one of risk-sharing between lenders and borrowers. This stands in contrast to the Western banking principle of the borrowers being required to pay fixed interest regardless of the success or failure of their business venture. So let's be innovative. Why not have a lower rate of interest that serves as a floor but topped up by a profit-sharing arrangement which becomes the 'premium' payable for the extra risk? Whatever actual mechanisms emerge from the shapeshifting, we can be sure that financial institutions of tomorrow will no longer be the self-serving 'kitty' of well-to-do lions. The rest of the jungle wants a share of the action.

7.7 Trade: Learning to play fair

In the present era of globalisation, it is sacrilege to criticise unrestricted free trade when in the company of the pride. Somehow, questioning free trade is equated with being anti-democratic, pro-communist and an all-round sour-grapes loser. And yet evidence of the negative impacts of trade on vulnerable communities, small economies and fragile environments is precisely why elephant thinkers do question deregulated free trade. These are the very issues that rumble through the demonstrations that now tag every meeting of the council of supreme lion countries. These disgruntled herds of protesters argue that global trade today is neither free nor fair.

If we look back, the concept of global free trade has its roots in the Bretton Woods conference of 1944. It was one of the main visions of the proposed International Trade Organisation (ITO). As it turned out, the General Agreement on Tariffs and Trade (GATT) signed in 1947 was the only aspect of the ITO to be ratified. Various constraints that were originally designed to regulate the pure trade aspect of the envisaged global economic system were left out. Today GATT is enshrined in the World Trade Organisation (WTO) which continues the crusade for unrestricted trade.

The critics of globalisation cite various reasons for their discontent. The prime argument is that such an environment leads companies to seek out investment destinations with the least number of obstacles to profit-making. The end-result is what US ecological economist

and author Herman Daly calls 'standards lowering competition' and others have called 'the race to the bottom'. In other words, lion companies will locate in countries with minimal controls on working conditions and negligible environmental protection in order to save on costs that higher standards elsewhere would impose. To borrow the economists' jargon, why internalise externalities if no one is forcing you to?

Another criticism is that trade between parties of unequal strength seldom results in an equitable exchange. How can developed lion economies of the industrialised world claim to be on 'a level playing field' with struggling developing countries reeling under debt and social upheaval? Indeed, how can America and Europe justify protecting their farmers when developing countries are not permitted to protect theirs (sounds like affirmation action in reverse)? Or at a corporate level, is it reasonable to expect local micro-enterprises to face up against powerful multinational companies and compete 'on equal terms'? The elephant economy seeks to redress power imbalances. And there are no more glaring contrasts than in the area of global trade. Competition means the strong win and the weak lose. So guess who has gained the lion's share of the benefits of globalisation? America! The strongest and richest lion in the first place. No wonder they want the system to continue. Elephants are quick to point out that the WTO itself is undemocratic. How can that organisation make decisions which affect the lives of billions of people without being subject to any governing body other than itself and lacking proper channels for input and influence by its stakeholders? Even the International Labour Organisation was unsuccessful in its attempts to have a social clause included in the WTO constitution. To many elephants, therefore, it smacks of a self-serving gentlemen's leo club.

Elephants wishing to shapeshift global trade towards something more sustainable have led the charge with a counter-movement consisting of a network of 'alternative trade organisations' (ATOs) that strive to promote fairness in trade. They do this by agreeing on certain minimum standards and ethical practices which have the welfare of those parties affected (and usually marginalised) by the global trade process as their primary focus. In Europe, this has resulted in the establishment of more than 2 500 'fair trade shops' which exclusively stock products that have been subject to this careful screening process. The UK has been particularly proactive in promoting fair trade through organisations like Traidcraft, Oxfam Activities, Tearcraft and TWIN Trading. As an example of their success and impact, Traidcraft has a 2 000 strong voluntary sales staff and has managed to get its tea and coffee products stocked by national retail supermarket chains like Sainsbury's.

The Body Shop's 'Trade Not Aid' initiative took the idea of fair trade and turned it into its international trading policy. Among the principles behind Trade Not Aid were that the Body Shop utilized traditional skills and materials; provided long term commitments to all community projects of this nature; and encouraged small-scale businesses that could be easily duplicated. Because fair trade became something of a mission for the Body Shop, they actively sought out trade relationships with communities in Third World countries including India, Burkina Faso, Malaysia, Nepal, the Philippines and Kenya. Body Shop founder, Anita Roddick, sums up their fair trade experience as "the ability to work in

partnership with communities and to figure out what they truly need. It is the process of helping people find the right tools, and the right approach, to develop themselves." It is not, she emphasises, simply buying goods for money, or dishing out things we assume people want, or imposing blueprint-type solutions on a complete population. More than anything, fair trade centres around paying attention to human relationships and addressing the particular situation that each counterparty finds itself in.

Fair trade organisations are not limited to First World countries. One of the best examples of an ATO is South Africa's Cape Town-based Triple Trust Organisation. As the name suggests, they were originally established to provide three services: to assist people from township communities to obtain business skills training; to open up access to capital for those who had successfully completed their courses; and to create marketing links which channel income from the pockets of First World customers into the coffers of Third World entrepreneurs. In the last regard, Triple Trust Investments has taken a significant stake in a company called www.buysouthafricaonline.com. A recent winner of the 2002 Development Marketplace Innovation Competition of the World Bank, the company has developed a web-based system for small manufacturers to deal directly with the end-consumers of their products. By streamlining the supply chain, small traders in South Africa obtain a fairer share of the final sale price. The company has even addressed the digital divide by enabling remote entrepreneurs to receive their orders automatically by 'sms' on a cell phone, thereby bypassing the need for expensive computer equipment and training.

Another example of an ATO is Fair Trade in Tourism South Africa, which was set up in 1998 as part of an international fair trade network for the tourism industry. The criteria for registering with the organisation reveal the elephant values that underlie the initiative: fair share, democracy, respect for human rights, culture and environment, reliability, transparency and sustainability. It runs on similar lines to an international network called the Ethical Trading Initiative whose membership includes companies, trade unions and NGOs. The corporates in this case are primarily UK retailers, such as The Body Shop, Sainsbury's, Levi Strauss, Marks and Spencer, Safeway Stores and Tesco.

Another dimension of the fair trade philosophy is to be conscious of the benefits of keeping trade local. Even the great economist Keynes acknowledged this when he said: "I sympathize, therefore, with those who would minimize, rather than those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national."

What Keynes is getting at is that local trade is good for local economies. Not that we should be trying to restrict people's choice. However, keeping money circulating in a given community, or country, is a powerful force in improving the welfare of that community or nation's people. We also know that local trade can avoid the environmental impacts associated with the transportation and packaging of globally traded goods. Therefore, buy-

local campaigns like Proudly South African and its counterparts around the world are elephant-friendly initiatives that deserve our encouragement and support.

At the moment, fair trade is just a seed which has had limited exposure and application, but it is nevertheless worth nurturing. As we shapeshift towards an elephant economy, fair trade criteria will become embedded in the practices of all world-class companies. Tools like social auditing and accounting and supplier certification schemes related to various international social, ethical and environmental standards will assist them. And combined with other sustainable economy initiatives, fair trade practices will help to restore some measure of equity and justice into our present conquest-oriented, winner-takes-all international trading system.