

NEW ECONOMICS REQUIRED FOR A SUSTAINABLE FUTURE AND A CONTINUED IMPROVEMENT IN QUALITY OF LIFE

By Rod Matthews

In November 1989 the Berlin Wall came down signalling the failure of communism. In 2007/2008 the housing market and the stock market came down signalling the failure of capitalism. New ideas around running the economy will be required if we are to create a sustainable economy while maintaining real quality of life. I'm certainly not advocating that we need to completely start again. There are many things that capitalism and socialism offer that increase the quality of our lives. And we need some new ideas. Fortunately, there are many good people already doing some wonderful work when it comes to alternative ways of living and operating, and their contributions come from both the top-down and grass-roots approaches.

Top-down solutions

Changes to tax law

In order to encourage and discourage certain behaviours, tax law needs to be reformed. Options include the following.

- Keep the carbon tax and/or introduce a carbon cap-and-trade system.
- Increase tax on processed and fast foods.
- Bring in a mining tax and deposit the money into a futures fund, similar to that in Norway.
- Increase taxes on consumption and reduce taxes on work and savings – increase GST; reduce or eliminate tax on superannuation, family trusts and other savings vehicles; eliminate payroll tax; reduce the cost of workers' compensation; reduce company tax. Note, however, that an increase in GST will most likely create a preference to buy online and have the goods shipped from overseas. To counter this, there could be an increase in courier or transport costs, or in import tax for any item that comes from overseas.

Increase in government investment

Government could invest in genetically modified foods, and not allow organisational ownership of genetic sequencing.

Change the structure of government

Eliminate state governments and increase the size of local governments to facilitate local decision making.

Changes to legislation around banking and finance

- Make trading in non-commodity markets illegal, or at least immoral.
- Increase the ability of banks to lend for socially responsible reasons, and reduce the ability of the banks to lend for financial speculation.
- Limit the ability of the banks to lend to large organisations for the purpose of buying up small locally run organisations.

Legal and social pressure

- Dramatically increase fines and public disgrace for unethical use of capital.
- Increase the transparency of large corporate organisations and reduce red tape for small business.

Changes in organisations

- Limit the ability of global or large organisations to buy small companies.
- Encourage companies to involve staff in financial and strategy decisions, including executive salaries.

Grass-roots solutions

In the period before the general public had access to vehicles, most people lived and worked in their local area. This meant that what a person did in their personal and working lives was intertwined. But we are status-seeking beasts, and evolutionary psychology tells us that one of our main drivers is to be seen to look good in comparison to our peers. When our peers are primarily local, it therefore requires self-control and social maturity to behave in an ethical manner.

When we gained access to the motor vehicle, our horizons expanded. No longer did we have to live and work in the same place. We were able to be one person in one context and another person in another context. In the 1980s, however, organisations started increasing profits by making redundancies, and these redundancies made 'lifetime employment' a thing of the past. The workforce became truly mobile and global, and left very little loyalty for organisations.

The result has been a decrease in the need for ethical behaviour. Why should I be ethical if I can shaft others and get away with it because I live and socialise with people other than those I work with and sack?

In order to redress this decrease in ethical standards, we need to increase transparency of people's behaviours so that our evolutionary need for status restarts our moral motor. The communications revolution could be a major player in making this happen. It is only when individuals and institutions are named and shamed for immoral behaviour and/or named and exalted for moral behaviour that we will see a return of ethical standards.

Belief and Social Proof

So as well as top-down, policy-driven solutions, Australia can also implement bottom-up, grass-roots solutions.

Sometimes our beliefs precede our habits. For example, I believe that I should exercise more and eat less, and yet when I get home at night the habit of watching a DVD and eating ice-cream often trumps the belief that I should go for a run. I know that I should live on less than I earn and save the difference, and yet when I see an Amazon recommendation, the urge to spend on some fantastic books rather than put the money aside often beats the belief that I should restrain myself.

There is, however, mounting evidenceⁱ to suggest that when we are asked to make our beliefs public we are far more likely to behave in a way that is congruent with the stated beliefs.

With this in mind, perhaps Facebook and other social media could include a 'My values and beliefs' section, where people make a public statement about what they think is ethical and unethical behaviour. In addition, we can use Facebook, LinkedIn, tweeting, 'liking' and 'disliking,' starting online communities and joining online communities to start grass-roots movements. A great place to start is the website www.neweconomics.org. The future is in our hands.

ⁱ Cialdini, Robert (1995), *Influence – The Psychology of Persuasion*, Quill Publications, New York
Wilson, Timothy D. (2011), *Redirect: The Surprising New Science of Psychological Change*, Allen Lane, London

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