

A Journey in Search Of

CAP2

Michael Townsend with Brad Zarnett



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Dedicated to all those striving towards a new and sustainable economic paradigm within which businesses, people and planet can thrive and prosper.

This Paper is the product of the collaborative efforts of the teams at Earthshine and TSSS, and has also drawn on the expertise and advice of numerous specialists and practitioners. We thank everyone who has contributed to this process, and in particular, we acknowledge those who shared extensive time and insight with us. We accept any errors in this document as our own.

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"You never change things by fighting the existing reality.

To change something, build a new model that makes the existing model obsolete."

R Buckminster Fuller



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A Journey in Search of Capitalism 2.0

Part 1 — Blueprints for a Sustainable Economy

Michael Townsend with Brad Zarnett

October 2013

Part I of this paper has been developed and produced by Earthshine and TSSS without any sponsorship contributions or donations. It is totally independent, and free from the influence of outside interests. The only bias we must declare is our desire for a better economic system. We envision a sustainable approach to business and commerce that would enable people, business and communities to flourish and prosper, in a state of shared wealth, for generations to come.

We thank you for reading and hope you will join us on this journey towards a better tomorrow.

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The financial crisis has lifted the veil on capitalism, exposing its inherent frailties, but there is cause for hope. There is much good work going on, with people and organisations exploring new possibilities, in search of better forms of capitalism or a new economy – towards a fairer and more sustainable world.

It is also possible to see the pieces of a very interesting jigsaw coming together, bringing into focus an attractive picture of a new operating system – and so we invite you to join us, on our journey in search of Capitalism 2.0.

Through this Paper, we aim is to promote greater awareness of the issues and the possibilities; to give a sense of hope for what might be, if we make conscious choices and move towards a more sustainable economy.

We achieve this by exploring the key problems inherent within our current system and then, by building on the great works going on around the world, we synthesise a range of design principles for a better system, exploring the worthy range of solutions, and how we might all work towards bringing about a better, more sustainable future.

Capitalism in crisis?

Since the collapse of communism, more than twenty years ago, capitalism has been, more or less, the only show in town. As a system for running our economies, it is widely perceived as having delivered an era of unprecedented growth and prosperity.

But the limitations of capitalism are also blamed for their contribution to the longest and deepest global financial crisis in living memory. Capitalism is suffering a crisis of liquidity, reliability, and confidence – and is naturally undergoing a wise degree of introspection in these times.

There are many issues we see exposed. We explore the illusion of growth and creation of unsustainable 'phantom wealth'; how the trickle-down-effect isn't really working, but wealth is in fact concentrating; and how even shareholder returns are not what they seem.

Furthermore, with its convenient exclusion of so-called externalities, capitalism is not mindful of environmental or physical limits, adverse impacts on our communities, or the capacity of our planet to support our western lifestyles. Collectively we will need two planets by 2030, to sustain our current consumption trajectory.



There are some serious design faults underlying these symptoms, which we will also need to tackle – including our addictions to growth and consumption, our short-term expectations, our failure to account for natural capital, and our dysfunctional money systems.

Can we hope to reform and revive our current system of commerce, is there a better system available, or do we need a more fundamental and radical shift, towards a new model for a more sustainable system of economy and commerce?

Could there be a better way?

On our journey, we have found at least at least ten different new recipes for better forms of capitalism, including: Breakthrough, Clean, Community, Conscious, Constructive, Cooperative, Mindful, Progressive, Responsible, and Sustainable. We have also discovered visions for a New Economy, a Sharing Economy, and a Collaborative Economy.

Each new prescription offers value, but many of the recipes are configured on the same old paradigm with the core tenets of capitalism – growth and consumption, money and financial systems – largely untouched. With incremental changes it is highly likely that we will continue to see the same old problems associated with the concentration of wealth and power.

Perhaps we need to look further, beyond the current paradigm and imagine what a viable, attractive, sustainable economic ecosystem could look like? And could we develop this model, in a way that still draws on the incremental reforms, but within a radically more sustainable framework?

Towards a set of design principles

Building on the good works of the leading thinkers in this space, we have developed an initial synthesis of nine design principles in support of a fit-for-purpose economy:

1. Less growth, more wellbeing
2. A broader view of what capital means
3. Based on responsible enterprise, adding real value, where it is needed
4. Holistic systems thinking; aligned with the circular economy
5. Enabled by a well-functioning money system
6. Away from speculative bubbles, towards creating longer-term real wealth
7. Shared ownership and distribution of resources and wealth
8. Based on collaboration and striving together
9. Founded on new institutions and greater systemic resilience



The key features of this design tend to support what Adam Smith originally intended – an approach more aligned with mindful responsibility, than with the more selfish aspects associated with the current form of capitalism – with more emphasis on genuine trade (rather than rigged markets), local economies, re-localised production and owner-managed businesses. For those with a genuine disposition towards more open markets, this might revive the dream of entrepreneurship.

Could a new model be good for business? The answer has to be an emphatic yes – for those businesses that create 'thick value' in meeting the real needs of people, communities and the environment, in universally affordable and sustainable ways.

But with these changes, at what point does capitalism change so much that it becomes something else? If we change the goals of our economy, the money system, and ownership models – surely we would generate something that takes us beyond capitalism and CAP2 even? Should we seek a new term, that not only better describes how the system would work, but which might also allow us to leave behind any unnecessary ideological baggage of the past?

Cause for hope?

Some of the principles explored might seem a little utopian, but real change is possible. Despite the very real challenges involved, we have found a huge amount of good work already going on – a surprisingly cohesive and consistent picture of a new emerging economic ecosystem – which provides a sense of an evolution taking place, enabling people and businesses to migrate towards a better system:

Weaning ourselves off the twin-drugs of growth and consumption – not easy, and while circular economy principles will help, we also need to engage with more mindful consumption.

Shifting our business models from old to new economy principles – this transition requires careful management, and real magic comes in holding two situations at once; discontinuing the risky stuff, while ramping up on the sustainable goods and services.

Moving away from short-term markets – to generate longer-term value, for a sustainable future, we might need to look beyond the constraints of our current organisational and ownership models.



Developing a new monetary system – we can put our money to better use, perhaps through alternative currencies, but also by reforming our broken system of banking and finance.

Breaking ties with the old system is hard – moving our money to new economy institutions will help, but more work is required to help people and businesses find a workable and sustainable transition.

Understanding the possibilities and limitations of regulation – more work is required to establish the overall set of legislature that would enable and support the changes required.

Overcoming inertia and the fear of change – the fear of failure could hold us back, but some enlightened organisations are engaging with mindfulness in overcoming our fears and in seeking more sustainable behaviours.

Embrace the positive and true aspects of human nature – our emphasis on individual self-interest is now being challenged, as we rediscover how human beings are wired for co-operation, as well as competitive behaviour.

Meeting the political challenge – while many mainstream political parties are behind the curve, more than ever we need enlightened leaders to help show us the way.

There are a number of inspirational and high profile leaders out there, but also we find a good number of people and organisations operating largely under the radar – they are already inspiring change, overcoming obstacles, and helping to create a better future. **We can be heroes...**

Sustainable Economy: A call to action!

Looking at the full menu of changes needed, it is unlikely that incremental tweaks to the current system will deliver a sustainable economy – a more radical paradigm shift will be required. And we cannot wait for our political leaders – we, the people, need to become the change we want to see.

We need to collaborate and move forward in a coherent way, in developing a new model. And so we recognise there is a need to create an authentic, bottom-up campaign to build on and join up all the great initiatives out there, and to help identify and drive further changes.



And while many businesses would rather continue in business as usual mode, the profound challenges we face in our economies means we will have to take action, very soon.

We also need a new model for change – with less emphasis on conflict, or attacking the old system – but more engaged with peaceful participation in making a credible, vibrant and attractive new system become a workable and enjoyable reality.

This will mean co-creation – working together and technology enabled – to collaborate in the design process, create all the pieces in a global jigsaw puzzle, develop and influence a series of projects for change, and then ultimately migrate towards the new model.

The change agenda developed through this Paper is only a starting point – we need to start again – together, and right at the beginning. We call on all interested parties to become a part of our Worldwide Design & Implementation Team on the **Sustainable Economy Project**. Be the change, means co-creating a new way.

Shaping the Future

Throughout our analysis, we are always mindful of the need to turn ideas into practical action, and so notwithstanding the upcoming co-creative design phase of the Sustainable Economy Project, we wanted to provide an initial outline of change projects, to set the ball rolling:

1. The goals of a sustainable economy
2. Mechanics of a sustainable economy
3. New models of business success
4. Sustainable investing
5. New financial and banking system
6. Institutions and system resilience
7. Re-localised and resilient economies
8. Education for a sustainable economy



executive summary

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We have developed an initial Change Map to illustrate the range of various projects around the world, already aligned with these change themes. We seek your further input, to develop and extend this map of change.

We have outlined an initial Manifesto – based on a ten point agenda – that businesses can adopt and adapt, in support of their own transition pathways towards the sustainable economy.

We also have a number of suggestions for ways in which individuals can get engaged and help shape our shared plan for the future; through discussions and debates, interactive hybrid events, on social media, and more.

We also hope you will join us for Part 2 – The Sustainable Economy Project – and be the change!

Together we can find a pathway towards an economy that meets the real needs
of people, communities and the environment.



Preface: Why Capitalism 2.0?

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Thank you for joining us on this exciting journey. We thought it might be worth providing a little extra context for this Paper – why Capitalism 2.0?

The term Capitalism 2.0 has been around for a number of years and is usually applied to describe something *better* than the system we currently have. With such a vague and far-reaching definition, it can tend to mean all things to all people.

It does, however, provide a useful classification for the *new thinking* that is emerging in this field, and therefore offers a convenient meeting place for us to convene our discussion and debate. It is in this *meeting place* that we can reflect on the issues involved and explore the range of attributes that we might need to develop, collectively, in shaping a better economic operating system. The 2.0 suffix and CAP2 abbreviation present a convenient starting point, nothing more.

Of course, we need to be mindful of the history and evolution of capitalism that has taken place over the last few hundred years. This system has already undergone several rather distinct stages since its localised inception in France and Holland in the 18th Century. It evolved into the colonialist free-trade period, the subsequent era of industrialisation and international finance, the collapse of colonial powers and currencies in the early 20th century, and through to the rise of international markets and then neo-liberalism/globalisation.

But capitalism's evolutionary changes, while they have involved the development of different markets and a shift from local to national and global trading, have largely been variations on a similar theme. Capitalism was originally founded on principles that led towards a concentration of wealth and power, and it is still underpinned by this same foundation today. And this foundation is supported by the largely destructive and inherently unsustainable paradigm of a take-make-waste model for commerce made possible by the exploitation of resources and people.

But we are now moving into a new phase – can we find Capitalism 2.0? While this phase has yet to be fully defined, we intend to find out whether it will involve incremental changes, or whether we will need to see a more dramatic shift, to new ways of thinking and doing – if we are to address the fundamental issues of resource scarcity, environmental degradation, poverty, and the inevitable concentration of power and wealth that are so hard-wired into our present capitalist system. It is time for a paradigm shift?

In undertaking the research for this project, we discovered at least ten different new recipes for better forms of capitalism, including: Breakthrough, Clean, Community, Conscious, Constructive, Cooperative, Mindful, Progressive, Responsible, and Sustainable.



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We also discovered visions for a New Economy, a Sharing Economy, and a Collaborative Economy. There are many variations on the emerging theme and each adds a range of different insights and perspectives that together help us to create a whole picture. The 2.0 suffix seemed a reasonable label to frame our discussion and kick things off.

We also need to be mindful that as we modify/change capitalism by so many degrees, at some point it may become something else, something new and entirely different. What if it becomes a system that no longer concentrates capital so much; is it still then capitalism? Or do we need a new term, one that not only better describes how the system would work, but which might also allow us to leave behind any unnecessary ideological baggage from the past?

We are not, nor do we need to be, wed to '2.0' or indeed 'capitalism' as terms. We would like to promote further discussion, debate, and development work, in taking this important challenge forward in a meaningful way. Through a process of worldwide co-creation, we imagine the development of a new language and terminology that better represents our new collective collaborative vision and reality.

We do not pretend to have developed here a new theory or model. The idea here is first, to summarize the current state of thinking, as best we can. Then, we hope to provide a vehicle for people to explore what is possible, and to encourage the co-creation of our own new sustainable system for economy and commerce - a system fit for all in the 21st century.

Introduction

section 1



1. introduction

"The most alarming sign of the state of our society now is that our leaders have the courage to sacrifice the lives of young people in war, but have not the courage to tell us that we must be less greedy and less wasteful."

Wendell Berry

There is something seriously wrong with our system of economy and commerce. For the last five years, since the onset of the worst financial crisis in living history, we have seen much pain around the world, and little vision for a better future. The unwritten compact – that if we work hard and strive, we will achieve higher standards of living – has been shattered.

The financial crisis has lifted the veil on capitalism, exposing its inherent frailties; the system is suffering a crisis of liquidity, reliability and confidence, and is naturally undergoing a wise degree of introspection.

Many people feel angry and let down. Livelihoods and lives have been wrecked, as capital has seized up. Capital seems no longer able to flow to where it is needed, to keep the wheels of commerce oiled, and to generate income enough for the workers of the world to feed and clothe their families.

There are also widespread feelings of inevitability and resignation, that this is just the way it is, that change is not possible, and that we just have to get on and make the best of it. There is no other way... or is there?

These feelings cause conflict in our minds and in our souls, leading to a deep sense of frustration, anxiety and powerlessness. This is certainly not a good place to be; without hope, we are lost.

For some, including far too many of our political leaders, there appears to be a state of denial. They cling to the hope that if we hunker down long enough, and continue pursuing strategies drawn from what worked in the past, the crisis will pass and we can all pick up where we left off.

Except, we can't carry on as before. And while there is no doubt we have been facing a deep and protracted crisis – the longest in living memory – this is potentially nothing in comparison with what comes next.

We will only be tested further, as we continue into the increasingly violent storm at the intersection of growing resource scarcity, energy crises, economic restructuring, and climate change. The very assumptions that enabled capitalism to work, during the previous two hundred years or so, are being undermined – we really do need a **vastly upgraded operating system**, if we are to survive and prosper in the twenty-first century.

There is cause for hope. More and more people are asking questions, and exploring new possibilities. We have found at least *ten new recipes* for alternative forms of capitalism, and beyond this a range of *new economy* propositions, during the course of our research for this project.



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And drilling down further, we see there is a lot of good work already going on – much of it quite advanced – and so it is possible to see the pieces of a very interesting *jigsaw* coming together, bringing into focus an attractive picture of a new operating system – within the new schools of thought, on our journey in search of Capitalism 2.0.

The problem is that for real change to take hold, we need three very important ingredients.

First, we need a bold *vision* of a viable and better alternative. This vision will act as a catalyst to inspire and motivate action. We need to see how the years of crisis will lead to a better future and that we can create a better system that fits within the finite limits of our planet, while promoting the greatest good for the greatest number.

Second, we need to establish the right infrastructure and institutions, to enable the dream to become a practical reality. For example, we need a banking system that is configured to enable the real economy to function effectively, with capital flowing to where it is truly needed.

Third, people will need to mobilise; to take action, supported with the right resources, to enable the migration towards a better system.

Without the key enablers in place – vision, infrastructure, and mobilisation – nothing changes. And this is where the In Search of CAP2 Project comes in.

This Project aims to increase awareness, through considering the big and important questions, and generating a practical understanding of the key elements of this complex topic. We seek to make it accessible and manageable, with practical insights and examples, so we can all see where we can help make a real difference.

Quite importantly, we seek to build on the great ideas and solutions, already being developed by others, to integrate these pieces into a cohesive jigsaw, to share a vision of what might be, and promote further action in developing a credible and attractive alternative economic ecosystem; one that might eventually make the old one redundant. And by promoting debate and engagement, we can all make better-informed choices, and migrate towards a better way. We can be the change we want to see.



1. introduction

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Part 1 -- *Blueprints for a Sustainable Economy* -- shares a vision, and explores the possibilities for what might be, as well as what is already happening. In this paper we have structured our approach to give a brief overview of the crisis in capitalism, an examination of system design principles based on the worthy ideas and good works already in progress, an exploration of the changes we need to make, and how we might get to where we want and need to be.

And, of course, it all culminates with a call-to-action that points towards a collaborative design process and a grass-roots movement for change. Part 2 will begin the engagement process in earnest.¹

It is important to stress that we do not pretend to have all the answers. At this stage of the game, we can only aim to provide a sketch for what might be, and to start a dialogue and first steps towards that future.

As such, we could never hope to provide a complete *road map* – we are in uncharted territory. But this is *the start* of a map, of mobilising the thoughts and ideas of people around the world – to develop a better system – within which business, people and planet can thrive and prosper.

We now need to work together. United, we can move from a holistic vision to a defined set of principles: we can shape the concept design between ourselves, and develop detailed collaborative designs, and a series of implementation projects, towards a new tipping point – we can create a new mainstream economic system.

It is also important to emphasise, this is *not* a protest movement. We are not against capitalism, but we are *for* developing a better system; one that provides wealth, opportunity and satisfaction for the greatest number of people and our planet.

This Paper aims to take a first step. We hope not only that you find it an engaging read, but also that you will choose to join us on this great journey to help envision, design and co-create a better future.

Michael Townsend, Cambridgeshire UK, & Brad Zarnett, Toronto Canada,
October 2013

¹ Part 2 to be launched later this year.
Stay informed via TSSS and the Sustainable
Economy websites.

Capitalism
in
Crisis?

section 2



2. Capitalism in Crisis?

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“We are capable of shutting off the sun and the stars because they do not pay a dividend.”

John Maynard Keynes

With the collapse of communism and the disintegration of the old Soviet Union, just over twenty years ago, global capitalism had apparently **triumphed**. The clash of ideologies appeared to be over, as Fukuyama declared, somewhat controversially, this meant '**the end of history**'.

Since then, western-style capitalism has, more or less, been the **only-show-in-town**; the best – or least worst – means of meeting our collective needs, for allocating scarce resources and distributing wealth.

And yet, its **excesses are also blamed** for their contribution to the global financial meltdown of 2007/8, which has led us into the longest and deepest global financial crisis in **living memory**. Five years on, western capitalism is still creaking at the seams – suffering a crisis of liquidity, reliability and confidence – and is naturally undergoing a wise degree of **introspection**.

As our old systems, institutions and practices break down around us, more and more people sense an underlying dissatisfaction with the way things are, and are waking up to the need for something different – but what exactly?

Can we hope to reform and revive our current system of commerce – will incremental change be enough? Perhaps there is a better alternative already available, or do we need a more radical and fundamental shift – towards a new more sustainable system of economy and commerce?

So what's wrong with Capitalism 1.0? After all, it has delivered unprecedented growth and prosperity, hasn't it?

Perhaps not: A fresh look at the evidence suggests we haven't been doing quite as well as we all thought.

The slowdown in our economies should not be too much of a surprise – growth has been steadily slowing for some time. Umair Haque, economist, author and blogger, points out in his excellent book *The New Capitalist Manifesto*, that true growth in the developed economies reached a negative inflection point decades ago, and has been steadily slowing for half a century.

Economist David Korten shows us that perceived growth has been more of an illusion – what he calls unsustainable **phantom wealth** – based on financial bubbles, abuse of power by banks to create credit (money) from nothing, corporate asset stripping, baseless credit ratings, and creative accounting.



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Furthermore, Korten demonstrates the **trickle-down-effect** has been just that, a slow trickle that fails to sustain all those who depend upon it; it has meant decline in real income for the majority, with prosperity reaching only a privileged few. From 1980 to 2005, the highest earning 1% of US population increased its share of taxable income from 9% to 19%, with most of the gain going to the top 1/10th of that 1%. According to the OECD, the picture in the UK is worse still, with the **fastest growing gap** between rich and poor in the developed world. The effects are clear; it's as if the current system was designed to concentrate wealth.

When Walmart Comes Knocking

Walmart, founded by the late Sam Walton, is one of the richest companies in the world – its current market capitalization hovers around 250 billion and it is the largest private-sector employer in the United States. Over half of Walmart's stock is still controlled by members of the Walton family, four of whom rank in the Top 10 of **Forbes' list of wealthiest Americans**. They certainly must be doing something right.

Let's take a closer look with a focus not just on profits, but also from the perspective of ownership, fairness and equality.

While the uber-rich **Waltons do give generously to a range of causes**, both individually and through their Walton Family Foundation, one must question how their business practices have led to their extreme wealth and whether such wealth comes at a cost to the rest of us. According to a **recent Congressional study**, when Walmart comes to town it is legally entitled to pay its employees such a low wage that many of its workers are unable to adequately provide their families with the necessities of life.

In fact, the wages are so low that many workers are forced to go on Medicaid and receive housing assistance, childcare subsidies and food stamps. Who pays for all of this? The taxpayers of Wisconsin are subsidizing Walmart's employees to the tune of \$5,815 per employee, *per year*. That means that for a typical 300-employee Walmart Supercenter in Wisconsin, taxpayers are dishing out between \$904,542 to nearly \$1.75 million per year for the privilege of making the owners of Walmart hundreds of millions of dollars each year.

That's a good deal for Walmart – customers are paying for employee salaries not only directly through their consumer purchases, but also indirectly through their tax bills. Those who Walmart always claims to serve, low income Americans who 'need' cheap prices, are subsidizing the profits for wealthy shareholders and senior corporate leaders as they grow their personal fortunes. If our current form of Capitalism has any flaws, this is surely a prime example of one of them.



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Wealth concentration may be the name of the game, but some might argue that at least the shareholders have done well, right? That is not actually the case, according to Roger Martin, author of *Fixing the Game*. Shareholder returns have actually been **lower** in the era of shareholder capitalism than in the post-war decades when managers were accused of feathering their own nests. Whichever way one looks at the situation, it is clear we have failed to create shared prosperity.

And then there is the environmental perspective. As Jonathon Porritt and George Monbiot both remind us, some of the most widely recognised causes of the crash in capital markets are also the principal underlying causes of the current **environmental crisis**.

We clearly have to be mindful of the physical, as well as economic limits to growth, and the capacity of our planet to support our lifestyles. According to WWF, we are already using the equivalent of 1.5 planets to maintain our current **consumption patterns**. The picture is worse still when we examine the Western world alone; we are already living a 3-planet lifestyle. Collectively, we will need 2 planets by 2030 – less than 17 years away.

We are persuaded that growth is good, and without this we cannot be happy. But is this true? In his popular TED Talk, Professor **Tim Jackson** provides a helpful and insightful reality check: "People are being persuaded to spend money we don't have, on things we don't need, to create impressions that won't last, on people we don't care about." So why are we living like this?

Our current consumption paradigm makes no sense, but for the perverse reality that our debt-based system of capitalism relies purely on continued economic expansion, otherwise it collapses. This is an untenable reality we are all too familiar with, as the aftershocks of 2008 run on, and on, and on. It seems we are unwittingly trapped on a treadmill to oblivion.

In the West, Capitalism has become almost inextricably ingrained with our notions of freedom, liberty and opportunity. But is this also an illusion? As Charles Handy points out in his thought-provoking book, *The Empty Raincoat* '...capitalism depends on the fundamental principle of inequality – some may do better than others - but will only be acceptable in the long term in a democracy if most people have an equal chance to aspire to that inequality. It is a paradox we cannot afford to ignore.' And that is a key point; since the financial crisis, we now see that for too many people, the *chance to aspire* is an illusion – the system has reached its end game, with wealth and power concentrated in the hands of the few. And so we should not be too surprised by the initial rallying cries from the Occupy movement.



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The current form of capitalism is found wanting on all three fundamental performance measures – in terms of the benefits to our society, our environment and our economies.

And while the main purpose of our Paper is to look forward to the future, to stimulate debate and action on a progressive agenda, we do have to spend some time considering the basic flaws in the current system. We have already given an overview of the key problems, but these are essentially symptoms. We need to dig a little deeper and consider the underlying causes – the inherent structural and cultural design faults – if we are to address the real causes and develop robust future-proof design principles, going forward.

So what are the underlying design faults?

David Boyle and Andrew Simms provide a wide-ranging appraisal of the limitations of our conventional system of economy, in their impressive book **The New Economics**. They highlight a number of key issues, including:

- **Ignoring the planet** – disregarding environmental issues, and failing to account for the damage done to the planet and to people, such as the loss of rainforest, pollution, crime, dislocation and depression – i.e. what we currently refer to as 'externalities'. All wealth is created through the planet's materials, land and people – how can we ignore these things?
- **Measuring the wrong thing** – our focus on the monetary value of goods and services produced and exchanged each year confuses means and ends, and skews all our activities towards this pursuit, regardless of any harmful activities this singular focus may promote, or indeed the range of other good activities that support our lives.
- **Encouraging consumption for its own sake** – because of the design of our money systems, with money as debt that must be paid back with interest, this promotes a need for constant growth in order to find the money to repay our debts. This means that consumption becomes the goal for businesses and people, which ultimately proves to be unfulfilling and leads to environmental degradation.
- **Blind to values** – prices tends to be dominant criterion, regardless of ethics or consequences.
- **Collusion with short-termism** – our political and economic systems are skewed by the focus on short-term cycles, whether election cycles in government, or quarterly results in business.



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- **Encourages and relies on debt and indenture** – most of the money in circulation was created in the form of debt that must eventually be paid off with interest. This places a huge burden on indebted populations and on the planet's systems to constantly meet this demand.
- **Overvaluing owners** – perpetual ownership of companies by investors tends to generate a size and duration of returns, way beyond any initial value added, and therefore tends to undervalue the creativity and work of employees.

We might also point towards the paradox of investment, at this point. We all tend to go along with the notion that trading in stocks and shares is a good thing, that we are somehow investing in the company concerned. But here's the real deal, as David Korten points out with piercing insight in his excellent book, **The Post Corporate World**: '*... in all but the rare instance in which we are buying shares sold in an initial public offering, not a penny of our money goes to the company whose shares we are buying.*'

The reality is that we are merely speculating in the future earnings potential of a company, and are in no way *directly supporting* the capability of the business to generate further wealth, such that it can itself then invest in a more sustainable future. And worse than that – with share options a ubiquitous part of the executive remuneration package – the reality is that **much of the rewards of success go to the executives, not the business.**

First and foremost, underpinning all these issues – there is the design of our money system itself.

'*For the love of money is the root of all evil*', or so the saying goes.² And perhaps this is true? Money, just like power, can be used for great good, but it can be also be used for great harm. There is a huge responsibility that goes with the stewardship of money, if we think about it. After all, capital is only as *smart* as the person holding it.

David Korten points to our obsession with monetising just about everything as our primary means of exchange – including our personal relationships – as a key issue. He demonstrates **five features of the existing money system** that drive the problems we have experienced.

² This saying is quite literally as old as the Bible - and is found in the New Testament, Timothy I (6:10).



2. Capitalism in Crisis?

in search of capitalism 2.0

1. The creation and distribution of money is controlled by private banks, managed for the exclusive benefit of their top managers and largest shareholders.
2. The money issued by private banks as debt, must be repaid with interest. This requires perpetual economic growth to create sufficient demand for new loans to create the money required to pay the interest due on previous loans. The fact that nearly every dollar in circulation is generating interest for bankers and their investors virtually assures an ever-increasing concentration of wealth.
3. The power to determine how much money will circulate and where it will flow is concentrated and centralised in a tightly interlinked system of private-benefit corporations that operate beyond public scrutiny, with the connivance of the Central Banks.
4. The Central Banks are presented as public institutions, responsible for exercising oversight, but are accountable only to themselves, operate primarily for the benefit of the largest private banks, and consistently favour the interests of those who live by returns to money over those who live by returns of their labour.
5. The lack of proper regulatory oversight allows players at each level of the system to make highly risky decisions, collect generous fees based on phantom profits, and pass the risk to others.

Even the ultra corporate **Economist magazine** points to the systemic, institutional and cultural failings that led to the financial crisis: the so-called financial engineers at the large banks, that lost visibility and understanding of the risks they were compounding, and the chain reactions they were setting in motion, as they packaged and sold on these risks (in the guise of *innovative financial instruments*), endorsed by the apparently unquestionable authority of the ratings agencies. If ever there was a lesson in *let-the-buyer-be-aware*, this was it. Except our banks and regulators were not aware, and nor were we, as we all bought into the illusion that lasting prosperity could be built on ever-bigger piles of debt. We really were *all in it together*, although it could be argued that some might have had a more comfortable safety net than others.

Korten also identifies the abuse of corporate power and its undue influence on public policy, aimed at furthering the narrow and short-term interests of global corporations. Key areas where this influence is evident include: rolled back taxes on high income; tax preference to income from financial speculation over income from productive work; reduced social safety nets; reduction in real wages; privatised public assets; outsourced jobs and manufacturing capacity; and the neglect of public infrastructure.



2. Capitalism in Crisis?

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The motivation appears to be driven by an underlying strategy for US corporations to dominate the global economy, by specialising in the creation of money, and marketing the consumption of goods produced by others. But therein lies the inherent contradiction; the more we pursue these strategies and deliver the extreme consequences of wealth concentration, falling wages and living standards, and reduced jobs through off-shoring, the more we undermine the active participation of consumers in our home economies. As we reach the endgame, collapse is inevitable.

Underpinning the whole fragile system appears to be greed. As Mike Guillaume points out in his fascinating book, **The Seven Deadly Sins of Capitalism**, greed takes on many different forms – from benign to malign. Guillaume describes how the spread of benign forms of greed through the economy, and society as a whole, has led to the general acceptance of more malign forms of greed in our culture; we tend to envy the rich, successful and famous, and we buy into the insatiable and debt-fuelled aspiration of material consumption in order to try and emulate their lifestyles.

But the call for change is loud – from both within and outside the business world. It is heartening to hear leaders from 150,000 businesses in the US – through the voice of the **American Sustainable Business Council** (ASBC) – calling for a **new economy**; one that's built around triple-bottom-line principles, including shared prosperity and environmental stewardship.

So where do we go from here – *what could a better way look like?*

could
there be
a better
way?

section 3



3. Could There Be a Better Way?

in search of capitalism 2.0

"Profit, people and planet – it's possible for business to prioritise all three."

Richard Branson

So what are the alternatives? How do we overcome the serious design faults now painfully exposed, in order to meet the rigorous challenges of our time, and enable business to survive and prosper in the 21st century, while ensuring we leave a positive economic, social and environmental legacy for the next generation? This is a massive challenge.

There is some nostalgic debate on whether **communism** could make a come back, although this might not be desirable, or even likely, in the West. But it is somewhat ironic that **global capitalism depends today** on the existence of a Chinese Communist Party, that gives de-localised capitalist enterprises access to cheap labour, and the opportunity to deprive workers of the rights of self-organisation, in order to provide lower prices.

Of course, there is also the Chinese version of **state capitalism**, although this model still exhibits largely the same challenges inherent in the Western approach, even if it does enable a longer-term perspective, and ideologically it is unlikely to appeal to those with a disposition towards *less centrally controlled markets*.³

There are many, particularly within the business world, that urge us *not to throw the baby out with the bathwater*; they argue businesses and **entrepreneurialism** still provide strong powerhouses for wealth and job creation, and that they can change in order to meet the challenges of our time. And so we see a growth of initiatives that seek to address the criticisms of capitalism and show the real capabilities of businesses. Richard Branson's **B Team** provides a prominent example.

In our research, we see views on what a re-booted version of our operating system might look like – spread across a continuum, from incremental change at one end, to more radical and transformative ideas at the other.

Klaus Schwab – founder and executive chairman of the World Economic Forum – appears to support the idea of incremental change, as he frames the debate that it is '*not the end of capitalism as an ideology, but the issue of how capitalism's technical components – which have come off the rails – can be reformed.*'

In his excellent book, *Capitalism as if the Planet Matters*, Jonathon Porritt takes a **pragmatic view** that '*capitalism is now the only economic game in town*', and that '*all sides must find ways of making our markets deliver a more sustainable future, pretty quickly, otherwise the pressures will overwhelm our economies.*' He rightly generates a sense of urgency. More recently, Porritt has also called for **Cooperative Capitalism** – where we strive together to create a more sustainable economy.

³ Our use of the term "market" throughout this Paper considers an emphasis on genuine trade, rather than rigged markets dominated by monopoly interests, and we assume appropriate levels of regulation, that will maintain market performance and ensure sustainable outcomes for people, planet and responsible business.



3. Could There Be a Better Way?

in search of capitalism 2.0

To coincide with the Rio+20 Earth Summit, **HRH Prince of Wales** called for, "*a new economic framework that puts nature's own ingenious economy and social well-being at the heart of our thinking*". This points towards a radical re-design, involving a complete realignment with natural principles.

This approach also tends to align with Al Gore's notion of **Sustainable Capitalism**, a model that seeks to maximise long-term economic value by reforming markets to address real needs, while integrating environmental, social and governance (ESG) metrics throughout the decision-making process.

Meanwhile, John Elkington calls for **Breakthrough Capitalism**, an approach that promotes integrated company reporting, an end to *quarterly earnings guidance*, the redesign of incentive/reward structures to encourage longer-term behaviours, and a new focus on **stranded assets**⁴ – to focus investor attention on the current and potential future impacts of emerging natural resource and environmental factors – and points the way towards broader systemic changes that might be required, such as the need to clean up corruption.

While *Breakthrough Capitalism* reports on the growing inequality of wealth and income globally, the analysis seems to stop short of tackling one of the key drivers behind this, and also one of the core tenets of capitalism – ownership. Perhaps this is not too surprising, with consultations and references drawn mainly from incumbents.

More recently, John Mackey and Raj Sisodia call for a rejection of what they see as the mutant and corrupted variation of *crony capitalism* that has proliferated in recent times. Instead, they propose a return to the roots of a more *authentic free-market model* – what they call **Conscious Capitalism**. In this model, conscious leadership and a culture of conscious management enable businesses to be galvanised by a higher purpose, in a way that harmonises all stakeholder interests.

Essentially, this model is an attempt to get capitalism back-on-the-rails, where Mackey and Sisodia sense it would have been, if we had followed what Adam Smith *originally intended* with his ethical platform. Conscious Capitalism describes a more holistic and humanistic approach, albeit largely within the current paradigm, with established institutions and ownership models. The key ingredient appears to be *a raised level of consciousness* – an increasingly cited prescription, as we have found through our research and investigations.

We return to the question; *will a reformed version of capitalism deliver the changes we need to see?*

Many of the new recipes for capitalism seem to be primarily concerned with how we can get capital to flow better, to where it is needed, in order to deliver more sustainable outcomes. And that would be a start.

⁴ *Stranded assets are those investments whose value could be dramatically reduced when major externalities, such as the price of carbon emissions or water consumption, are taken into account. This points towards certain highly prized assets of today, such as oil, which could become worthless when a full accounting of their total cost of ownership is considered.*



3. Could There Be a Better Way?

in search of capitalism 2.0

In getting the capitalism machine to work better, the suggestion is that all we have to do is get the investment community thinking and acting in right-minded ways, cajoled and stimulated with the right incentives, then all will be well.

As such, these prescriptions appear largely configured on the same old paradigm, with the core tenets of capitalism largely untouched. The key aims are all about growth and consumption, even if they might be delivered more eco-efficiently. We also see that these proposals leave the money system and ownership models pretty much untouched, and so we are likely to see very similar problems associated with the concentration of wealth and power. And five years after the collapse of Lehman Brothers, there are serious fears that the **risk of another financial meltdown** is still very real.

And in much the same way as a victim attempts to placate the school bully, many of the approaches actually seem skewed towards appeasing the money men, rather than providing a balanced and progressive approach in meeting the needs of the full range of stakeholders.

Furthermore, without any real mandate to challenge the traditional approaches of those who control the supply of money, and without any clear power to influence their agendas, one can start to question whether these approaches – in their current format – offer any real possibility of a much-needed economic shift? Even John Elkington himself questions whether capitalism, left to its own devices, could ever fully **reform itself**: "*self-discipline and voluntary initiatives can only take us so far.*"

Perhaps we need to look further, beyond the current paradigm, and imagine what a viable and attractive system could look like. Could we develop a workable vision for a more healthy, balanced, agile, resilient and effective economic ecosystem?

David Korten, perhaps more than most, appears to have a keen grasp on what needs to change, seemingly less hindered by any allegiance to the status quo. His **Agenda for a New Economy** is powerful and compelling, and exceedingly well thought through – providing a range of features that contribute towards what he calls a **Values-Based Operating System**.

But let's not *throw the baby out with the bath water*; while incremental reforms are unlikely to lead us to where we really need to go, there are still some positive aspects to these proposals that we might draw upon. As with any good design, we can and should be influenced by the full range of possibilities. The real trick is to establish how we might pull together the different components into a consistent and comprehensive new design. How can we develop a *fit-for-purpose* economy?



3. Could There Be a Better Way?

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contribution to design principles

new recipes

	1 Less growth	2 Broader view of what capital means	3 Based on responsible enterprise, adding real value	4 Holistic systems thinking and aligned with the circular economy	5 Enabled by a well-functioning money system	6 Away from speculative bubbles, towards creating longer-term real wealth	7 Shared ownership and distribution of resources and wealth	8 Based on collaboration	9 Founded on new institutions and greater systemic resilience
Breakthrough (Elkington)	○	●	○	◐	◐	●	○	○	◐
Conscious (Mackey & Sisodia)	○	○	●	○	○	○	○	●	○
Constructive (Haque)	◐	○	●	◐	○	○	○	○	●
Co-operative (Porritt)	○	●	○	○	○	○	●	●	○
Sustainable (Gore & Blood)	○	●	●	○	○	●	○	○	◐
New Economy (Korten)	●	●	●	○	●	●	●	○	●
New Economics (Boyle & Simms)	●	○	○	○	○	●	○	○	○
B Team (Branson et al)	◐	●	●	○	◐	◐	○	○	◐

key ● strong contribution ◐ some consideration ○ little consideration

Table 1: Some of the New Recipes for Capitalism & Economy – and their Alignment with Sustainable Economy Design Principles

This table outlines the guiding principles from a selection of the new 'recipes' for a new capitalism/economy, as envisioned by leading economists, authors and business professionals.

Towards a
set of
design
principles

section 4



4. Towards a Set of Design Principles

"The best way to predict the future is to invent it."

R Buckminster Fuller

The visions for a better future are seductive, but we need to move beyond high-level statements, and get to the nuts-and-bolts of what a more sustainable system will look like and, quite importantly, how it will operate for our collective benefit.

The key challenge here is to be able to discern *what good looks like*. We may feel drawn to one particular model, or another – perhaps informed by our own prejudices and worldviews – but we must stand back, think things through, and identify the features we really do need, in moving towards the *ideal recipe* for our fit-for-purpose sustainable economy. Otherwise, we can tend to get drawn into a stale and fruitless debate, of one ideology versus another. We could also stand accused of rushing to solutions without due care and attention.

While there is no substitute for a fully comprehensive exercise, based on first-principles thinking and rigorous integrated design principles, we'll at least start the ball rolling with a *sketch* of what might be possible.⁵

We have developed an initial synthesis – drawing on the range of elements identified by the multitude of visionary thinkers in their new models for our economy – and this exercise has led to *nine design principles for a more sustainable and fair economic ecosystem*.

As Bob Massie – President of the *New Economics Institute* in the US – nicely puts it, "**we are in the nursery of the new**", so here goes...

1. Less growth, more wellbeing:

This principle is fundamental, and drives everything else. We need to engage a more holistic approach to developing and managing our economies, based on human happiness and wellbeing. This will involve a shift away from the myopic focus on growth and GDP, to a balanced set of metrics – not simply in terms of money and wealth – but with values and morality back in **the equation**.

Living within limits will mean a new paradigm; perhaps where **growth** could diminish to a level of consumption just necessary to maintain today's standard of living, rather than continually feeding narrow aspirations to increase material wealth.

⁵ This initial piece of work is not presented as a definitive solution, but is intended to stimulate further debate and collaborative engagement towards a sustainable economy – see section 6. *The Sustainable Economy Project: A Call to Action*, for how we can start collaborating together on developing the solutions we need, from first principles.



4. Towards a Set of Design Principles

Perhaps, as Peter Victor estimates, we can even **manage without growth** at all, or might we progress towards a new form of **prosperity**, by making the shift to Haque's **smart growth** – supported by new business models, based on ideas such as generosity, creativity and resilience – and by focusing on doing the right things; based on real need, rather than greed?

We might need to adopt more **mindful consumption** – recognising exactly what we need to consume (in all senses of the word), and what not to consume – in order to keep our bodies, minds and the Earth healthy. This could signal a real move away from materialism and the consumer economy, as we wean ourselves off the pastimes of shopping and watching TV.

Of course, a transition towards an economy focused on wellbeing will have huge implications for all our businesses, and the ways in which we run our economies. In particular, the notion of *mindful consumption* presents a major challenge to our whole economic model, and the way of life we have cultivated in the West for over half a century – our endless pursuit of growth.

And while many may privately admit that the goal of **endless growth** is not sustainable, or even possible, we somehow find it too hard to move to a different model. We have become addicted to growth, and it pre-occupies our businesses, and our beleaguered governments on a daily basis.

Of course, we also know that the current system starts to unravel and ultimately collapse if we don't achieve continuous growth – a major inherent design flaw that we will have to address.

And as author and activist **George Monbiot** reminds us, we have to stop hiding behind our eco-efficiency initiatives and deal with the fundamental problem of *consumption* that lies at the very heart of all our key sustainability challenges; of climate change, resource scarcity, and a looming energy crisis. We have to deal with this apparently sacred cow.

2. A broader view of what capital means:

At the core of capitalism is of course the economic concept of *capital* – usually expressed in terms of land, machines, and money. Jonathon Porritt takes an important step towards a broader view of how we think about *capital*, with what he calls the **Five Capitals Model** – based on human, social, manufactured, financial, and natural capital.



4. Towards a Set of Design Principles

In this approach financial capital still plays an important role, while enabling the other types of capital to be owned and traded too. This model also helps us to understand the relationship between different aspects of capital, and the need for balance and optimisation.

The TEEB Synthesis Report **Mainstreaming the Economics of Nature**⁶ provides a useful platform for linking biodiversity and economics; making the case for the systematic appraisal of the economic contribution of biodiversity and ecosystem services to human well-being; and for routine steps to prevent that contribution being lost or diminished through neglect or mismanagement.

Building on these concepts at business level, we see Environmental, Social and Governance (ESG) metrics are likely to become increasingly important within **investment decisions**. And companies could increasingly use **integrated reporting**, in line with the formats developed by the Global Reporting Initiative (**GRI**) and the International Integrated Reporting Council (**IIRC**) – to better inform both business executives and investors on the interactions between different forms of value and capital, and where financial risks may lie.

It might also be argued that these various frameworks seek to impose monetary and market values on the natural world, in an attempt to integrate the sustainability agenda within a capitalist framework. This is a worthy aim, but might also have some limitations.

Many will point to the *true value* of natural assets; the ecosystems that support our world are so fundamental that they are in fact beyond monetary value. As John Ruskin wrote – 'There is no wealth but life'.⁷ The reality is that there will be serious consequences for human existence if we undermine our habitat beyond certain thresholds, and no amount of financial wizardry can resolve this fundamental dependency.

Are we looking at this issue through the right lens? Instead of getting the natural world to fit with our man-made economic paradigm, perhaps we should put the cart in front of the horse, and develop an economic model that aligns with and supports our natural world?

David Korten gets to the real heart of the debate – when he asks *what is money any way?* In helping us think this one through, Korten urges us to recognise the difference between real living wealth and **phantom financial wealth** – a very interesting and insightful division.

⁶ TEEB (2010) *The Economics of Ecosystems and Biodiversity: Mainstreaming the Economics of Nature: A synthesis of the approach, conclusions and recommendations of TEEB*.

⁷ John Ruskin (February 8 1819 – January 20 1900) was an English author, poet and artist, most famous for his work as art critic and social critic. The quote here is taken from Ruskin's highly influential publication, *Unto This Last* – a book of four essays that had a profound impact on Gandhi; upon reading *Unto This Last* he decided to change the direction of his life and live by Ruskin's teachings.



4. Towards a Set of Design Principles

Money, he reminds us, is simply a number entered on an accounting ledger; it **has no intrinsic value**, and can disappear in an instant, as we have all seen during and since the financial crash – our shares and pension funds are now worth less than they were, apparently. We all know that money was originally intended as a means of exchange, but in many cases it has now become the end goal.

Real wealth, on the other hand, has intrinsic value – whether utilitarian, artistic or spiritual value. We can think about fertile land, healthful food, knowledge, productive labour, pure water and clean air, or physical infrastructure – that all add utilitarian value, each day. Then the most important forms of real wealth: healthy, happy children, loving families, caring communities, a beautiful, healthy, natural environment – all these elements **are arguably beyond price**.

Perhaps we should re-design our economies (and our lives) with real wealth in mind? More work is needed in developing an appropriate view of what 'capital' means, in terms of living wealth within a paradigm of sustainable economy.

3. Based on responsible enterprise, adding real value, where it is needed:

We will increasingly see businesses taking a values-based approach, putting money and business back in the service of **people and planet**, to support social and environmental balance, and generate real, living wealth – what might be called **profit with a purpose**. This signals a move from **false models** of business that focus on consumption, short-termism, gimmickry and greed, and a shift towards a **'higher purpose'** for business.

As Haque explains in his book *The New Capitalist Manifesto*, this could involve a change in emphasis from what he calls 'goods' to 'betters' – offering a more meaningful payoff that matters in human terms – and a drive to create **"shared" or 'thick value'**, with *meaningful features* for customers in the process.

This shift towards a *higher purpose* for business could also enable companies to create new and more sustainable arenas for business advancement, instead of trying to compete in a fruitless game of trying to dominate existing tired and saturated markets.

As Korten identifies, we could see a move towards more **locally-rooted economies**, with a diverse eco-system of independent, locally-owned, 'human scale' enterprises, devoted to serving the needs of people, community and nature. This would involve greater emphasis on ownership by responsible local investors, with an active interest beyond profit.



4. Towards a Set of Design Principles

4. Holistic systems thinking, aligned with the circular economy:

The big picture challenges of climate change, energy, scarce resources and economic re-structuring are converging to create a perfect storm that must be addressed at a systems level. Successful solutions will have to focus on optimisation of the whole system rather than maximisation of one element.

The new economics of interdependence recognises that we do operate within one closed system. This calls for a shift in the production mindset, away from value chains to value cycles where resources are renewed, rather than exploited. This includes the move towards the **circular economy** – and economy configured for a tiny, fragile and crowded world.

5. Enabled by a well-functioning money system:

The money system is perhaps where the most reform is needed, but where it is also perhaps hardest to deliver change, not least because of a mass of incumbents and vested interests. But as Korten points out, fundamentally we need a **well-functioning money system**, one that can direct money to where it connects underutilised resources with unmet needs, and will provide jobs for everyone seeking employment – an economy working for the people.

This model would involve making credit readily available at affordable rates, in response to local needs and opportunities that build real community assets and enhance community health and happiness. It is also important to support family-wage jobs that eliminate the need to borrow to support basic consumption needs. We would also need to eliminate financial speculation, usury, and fraud. This is a major undertaking.

The New Economy Working Group shows us how this level of reform might be achieved, through a six-point agenda, starting with the United States:

1. *Rebuild a national system of community-based and accountable financial institutions.*
2. *Create a state partnership bank in each of the 50 States.*
3. *Restructure the Federal Reserve to limit its function to money supply management and subject it to Federal oversight and public accountability.*
4. *Create a Federal Recovery and Reconstruction Bank.*
5. *Rewrite International Trade and Investment Rules to secure national ownership, self-reliance, and self-determination.*
6. *Implement measures to secure the integrity of the money/banking/finance system.*



4. Towards a Set of Design Principles

6. Away from speculative bubbles, towards creating longer-term real wealth:

As Korten signals, we need to move away from illusory assets based on **financial bubbles**, the abuse of power by banks in creating credit (money) from nothing, corporate asset stripping, baseless credit ratings and creative accounting that led us to financial, social, and environmental break down.

We also need a **new lens** through which we can evaluate potential investments and avoid the risks of stranded assets, i.e. those investments whose value could be dramatically influenced when major externalities, such as the price of carbon emissions or water consumption, are taken into account.

This has special significance for institutional investors whose exposure to rising environmental costs will contribute to economic and market risks, which can then adversely affect asset values and investment fund returns. It is naturally in the interests of investors to reduce the risks and costs associated with externalities within their investment portfolios.

These are big issues and the numbers involved are serious. According to a study commissioned by UNEP in 2010, environmental damage caused by human activity in 2008 was estimated to be \$6.6 trillion, equivalent to 11% of global GDP. This is a huge economic impact that cannot be ignored, and a price that must be paid, somewhere down the line.

This points to the increasing need for transparency in presenting the total-cost-of-ownership for our economies, our businesses, and our investment strategies. All investment decisions will soon necessarily involve a full range of **ESG Metrics**.⁸

7. Shared ownership and distribution of resources and wealth:

In a healthy economic ecosystem we need to see more locally owned enterprises. This facilitates a closer alignment between responsibility, risk and reward.

This also aligns quite nicely with the principle of **subsidiarity** – raised by Charles Handy almost 20 years ago – aimed at promoting greater levels of commitment through membership and a genuine financial stake.

Perhaps we will see new forms of **loyalty shares**,⁹ to encourage longer-term holdings and ownership on the part of investors. Alongside the introduction of new corporate formats, like **B-Corps**, loyalty shares could extend the time-scales over which businesses operate, and the outcomes they prioritise.

⁸ Environmental, Social and Governance Metrics.

⁹ Loyalty Shares: A term introduced in the early work of the Breakthrough Capitalism Forum; designed to encourage longer-term holdings and ownership on the part of investors.



4. Towards a Set of Design Principles

in search of capitalism 2.0

But we might need to go further, into one of the core tenets of capitalism – ownership.

Ownership is everything. It is difficult to conceive of how any business could call itself sustainable, without due consideration of ownership; it lies at the very heart of equality and fairness in business and in society.

Ownership provides the power and authority to make decisions in the long-term interest of all stakeholders (including the planet); it affects our ability to deliver sustainable business strategies. This is ultimately a very important consideration, especially in light of the limitations associated with the short-term behaviour of our stock markets.

Ownership also provides the power to distribute wealth – this has a major impact on how we run our economies and businesses, as well as how we live our lives.

Universal ownership (by the employees, not the state) is a concept worthy of some discussion. It could create a much fairer economy, where hard work is genuinely rewarded at source, and without the need to get bogged-down with emotive and ideological arguments about taxation, benefits policies, or the size of the state.

The concentration of wealth in our current system, however, tends to suggest that some form of re-distribution may still be required in the short-term. In a system that has created so much inequality, ideas like **raising taxes** on the rich and other financial reforms must be explored – these may well be essential elements in a fairer economy.

But perhaps shared ownership models signal a more positive way forward? They could bring about genuine sustainable transformation, not just in the way we run our businesses, but also for our economies and societies.

Some reformers are not convinced of the merits of co-operative forms of business. For example, Mackey & Sisodia suggest that co-operative forms of ownership offer little room for entrepreneurial creativity, and can become highly politicized. But then again, how many organisations in business, especially the larger ones, wouldn't be described as highly politicised? And how many of these businesses are **truly entrepreneurial**? Perhaps there is some worthy work to be done in the field of organisational design that will enable us to motivate and harness creativity, while also providing a better sharing of wealth and power?



4. Towards a Set of Design Principles

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Shared Value or Shared Wealth?

Harvard Business School Professor Michael Porter – a leader in the world of business strategy over the last thirty years – has more recently shifted focus with his concept of **Shared Value** – which is based on creating value for the business and its stakeholders, by re-conceiving the intersection between society and corporate performance.

Shared value sees societal problems as opportunities to create wealth and competitive advantage, while providing a clear benefit to the community. This approach provides some strategic worth for businesses, in urging them to innovate, and create new value by addressing unmet social needs. But, we're not sure this goes much past a refocusing of markets, stakeholder inclusion and mild philanthropy.

While Shared Value makes for a broader, more community focused business, the ownership format remains largely untouched – very narrowly focused, with real power and wealth still concentrated in the hands of the few. In that sense it is still very much Capitalism 1.0, albeit with a slightly more caring veneer.

At best Shared Value provides a more positive impact for communities, but not necessarily shared wealth. At worst, by signposting the opportunities for big businesses to focus on social needs, it could just be a vehicle for global corporations to concentrate their power and wealth even further; displacing the smaller, local, and community based enterprises that might be serving such niches presently.

A cynic might even suggest it only provides a minor concession by capitalists, in order to preserve their position of power, without necessarily getting to the point of greater distribution of wealth that can only come through shared ownership.

8. Based on collaboration – striving together:

What if we've got it all wrong? What if our notion of competition in business is misplaced? What if our models should be collaborative, rather than competitive?

Just consider this thought for a moment: only in a world of real scarcity do we need to compete (and even go to war) over resources. So it must also hold, that if we operate in a completely sustainable paradigm – with 100% renewable and therefore plentiful resources – there is no longer anything for which we must compete?



4. Towards a Set of Design Principles

Ah, but we would still need to compete for our customers, right? Well, really, how many customers do we need? There are seven billion or so out there, and rising - more than enough to go around. Perhaps the real challenge comes not so much from our so-called rivals, but more from our greed paradigm.

As Jonathan Porritt points out, the word '*competition*' is originally derived from the Latin '*competare*', which actually means 'to strive together', and has nothing to do with the ruthless, myopic and destructive approach we seem to have adopted in more recent times.

From the root of this true understanding of competition's origins, Porritt creates a foundation from which economic policy needs to be redesigned, if we are to meet the sustainability challenges of today. It's the essence of what he describes as "**Cooperative Capitalism**".

We need to challenge ourselves and our notion of competition – at a personal and a businesses level – or we may simply not survive, let alone prosper. The point is: We need to consider moving from a position of narrow self-interest to a broader view of **enlightened collaborative-interest**.

Award Winning Documentary **I AM**

For those of you who may believe that co-operation and collaboration feel far more comfortable than competition, your DNA may be telling you something. This feeling is explored by expert storyteller Tom Shadyac (director of movies such as: Ace Ventura: Pet Detective, Liar Liar and The Nutty Professor) in his new documentary film about his personal journey of discovery, **I AM**.

In this documentary Shadyac asks some of today's most profound thinkers two questions: What's wrong with our world? and, What can we do about it? The answers he gets, from people ranging from a scientist who studies our psychic connection to yogurt to humanitarian and social rights activist Bishop Desmond Tutu, affirm what your gut has been telling you all along – we have a much stronger fundamental need for connection and collaboration than our current system would lead us to believe.

This moving and inspiring film won the Audience Choice Award and the Student Choice Award at the Mountain Film Festival in Telluride Colorado, where it premièred in May. Dan Siegel, of The Huffington Post, declares in his review, "**I AM** is a wake up call to the forces of good within each of us to write a new story for the world!"



4. Towards a Set of Design Principles

9. Founded on new institutions & greater systemic resilience:

We seem to be in a time of revelation, where old institutions are falling apart on almost a daily basis – in politics, banking, the press, police, sport, entertainment, and business. There seems to be no end to the unravelling of what we once thought of as solid foundations.

This should not be too daunting a prospect for **Constructive Capitalists**; as Umair Haque describes; they are not just about building better products, services, strategies, or business models: they are building *better institutions* first.

David Korten shows us how it is possible to develop a **six-part policy agenda** to rebuild a system of community-based and accountable institutions, devoted to financing productive activities that create good jobs and generate real community wealth. This is radical, as it involves breaking-up the mega banks and implementing tax and regulatory policies that favour community financial institutions.

A **recent report** commissioned by the Global Alliance for Banking on Values (GABV) concluded that values-based banks have generally better or comparable Return on Assets (ROA) and Return on Equity (ROE), as compared with conventional banks.¹⁰ The returns of sustainable banks are also less volatile, and their products and services tend to provide a range of outcomes that provide greater support to what has become known as the real economy.¹¹

A Quick Reality Check – Is This Good for Business?

Now, stand back, and just take in this sketch for a moment. Keen-eyed readers amongst you may well notice at this point that the range of attributes called for tends to align with those in more socialistic or communalistic systems of economy – minus any potentially oppressive elements, of course.

But such features would also be quite similar to what **Adam Smith** originally envisioned: an approach more to do with mindful responsibility than the more selfish aspects associated with the current model for capitalism.

And let us remember, as political economist Lester Thurow pointed out back in the 1990s, the advantages of the communalistic approaches in their collective action for the greater good have led to the rise of economic power in Asia over the last twenty years or more. There is certainly something to be said about a less individualistic approach, given the nature of our global challenges.

¹⁰ Global Alliance for Banking on Values, *Strong, Straightforward and Sustainable Banking* (March 2012).

¹¹ Economic activities that generate goods and services, as opposed to a financial economy, concerned exclusively with activities in the financial markets.



4. Towards a Set of Design Principles

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The range of guiding principles we have explored in this section, if fully enacted, would have a dramatic impact on the way in which our economies work, the goods and services we all decide we want, where we get them from, how much we pay for them, the scale of rewards and how these are shared. With such changes, while there are risks, there are also many opportunities for business.

Some might say it would be getting back to the 'roots' of capitalism, with more emphasis on genuine trade, local economies, re-localised production and owner-managed businesses. It would be less about rigged markets and unhealthy corporate domination. For those with a genuine disposition towards more open markets, this might be a good thing – reviving the dream of **entrepreneurship**.

Perhaps the most fundamental impact comes from a greater distribution of wealth and closing the inequality gap to genuinely regenerate personal spending power and thus deliver more customers into the market for (sustainable) goods and services. This not only makes good sense, but as the recent **UNCTAD** Report shows us, the better performing economies are those with greater income distribution.

With greater income distribution, markets will be refreshingly different; there will be less emphasis on virtual and secondary wants, and more on our very real and primary needs – for food, shelter, transport and mobility, and infrastructure to support and enhance life.

New markets could open up to serve the five capitals: human, social, manufactured, financial and natural capital. This will mean a greater emphasis on innovation, and investment in meeting the challenges of our time in creative and affordable ways – with more money in the **real economy**. This approach might also help to counter the seemingly self-defeating notion of corporate strategy that seems fixated on headcount reduction, as a major driver for improved financial performance.

While on the face of it this highly uncreative strategy of headcount reduction might appear good for investors, increasingly we see too few people doing too much work, on increasingly lean budgets, while many good people in need of work are left idle, in poverty, or reliant on benefits. As we all know, the more people we collectively put out of work, the less *active* customers we will have in our economies; without sufficient customers that can afford our various goods and services, we are no longer profitable. Our economy ceases to function. We no longer exist. We need to find the **sweet spot**, and spend more money on people, and less on waste and *stuff*.



4. Towards a Set of Design Principles

Recently published research from the Economic Policy Institute shows that the greener the industry, the greater the propensity for **growth in jobs**. This is strong empirical evidence that shows how a focus on *greening the economy* leads to a stronger economy and society.

Those businesses that will prosper as we move forward will be those that create **thick value**¹² in meeting the real needs of people, communities and the environment in universally affordable and sustainable ways. As Umair Haque asks, are our profits, like those generated by mobile operators – built on hidden costs, surcharges, and monopoly power – or, based on *awesome stuff* that makes people meaningfully better off?

A new economic model, based upon a new set of design principles, would actually be good for business. This new model is what this Paper is all about – adding genuine value, in sustainable and equitable ways.

The range of guiding principles we've discussed also begs the question: *At what point does capitalism change so much that it becomes something else?* If we change the goals of our economy, the money system, and ownership models – surely we would generate something that takes us beyond capitalism and CAP2 even? Should we seek a new term, that not only better describes how the system would work, but which might also allow us to leave behind any unnecessary ideological baggage of the past? What term should we apply as we move beyond capitalism – New Economy, Sustainable Economy, or something else, perhaps? This may be a task for us all to consider, within the scope of our ongoing **Sustainable Economy Project**.¹³

¹² 'Thick value' is the term used by Umair Haque, Author of the *New Capitalist Manifesto*, for sustainable, meaningful value. He also describes the opposite state, 'thin value', which he describes as a mirage – something that ultimately evaporates.

¹³ See section 6 onwards for more information on our ongoing *Sustainable Economy Project*.

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section 5

5. Towards a Sustainable Economy: Cause for Hope?



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"Do not be mistaken. There are many thousands of business leaders and investors at all scales who want to align their actions and their decisions with the goals of the new economy."

Bob Massie, President of the New Economics Institute (NEI)

Some of the ideas explored in this paper might seem somewhat utopian, especially when viewed from these challenging times, when so many people seem frighteningly committed to long established worldviews that no longer reflect our reality. Given the ubiquitous nature of our current form of capitalism, one could almost be forgiven for thinking there is no other way, or that changing things is just too difficult to contemplate, let alone do. So many of us have come to believe: *This is just the way things are – and we just have to make the best of it.*

There are certainly many challenges and barriers in developing and deploying the components of a new system. But let's put things into perspective; the conventional approach to capitalism has been around for less than a few hundred years, not that long in the grand scheme of things. Nothing lasts forever. Things can change; after all, the Berlin Wall stood for less than thirty years.

Let's explore a few of the key challenges in making the difficult transition to a new form of economy by shining a light on how these obstacles can possibly be overcome, and by highlighting those organisations that are already working on the elements of a new economy.

Once you start looking, you find that there is a huge amount of work already going on out there. While much of it is under the radar, there is a surprising amount of cohesion and consistency in both design and direction. The reality on the ground, in the trenches of this new emerging economic system, gives us much hope that a genuine transition is not only possible, but also that it's already happening. We get the sense of an evolution taking place, and a migration towards a better system.

As **Bob Massie, President of the New Economics Institute** suggests, *perhaps the new economy and a more sustainable form of economy, isn't that far away?*

Weaning ourselves off the twin drugs of growth and consumption: This is not going to be easy, when our present-day reality is that most business models are founded on continuous growth. Their very foundation depends upon more and more consumption and the linear *take-make-waste* economy. This is generally how profits and apparent business success have been generated and measured, thus far. It will take brave and foresighted leaders to choose to kill the 'golden goose' and present a new business model.

This choice may become somewhat less daunting, however, as businesses face a new reality, perhaps sooner than any of us might wish. There is a perfect storm brewing at the intersection of growing resource scarcity and a looming energy crisis, set against the backdrop of continued economic/debt re-structuring, and the growing impacts of climate change.

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Looking at the emerging work of the **Global Sustainability Institute**; these issues could start to bite within the next five years. It is highly likely that we will *all* have to revise our expectations, and seek a new way of defining and delivering business and economic success.

It may help here, if we consider the notion of *business growth* in more unconventional terms. This is where **circular economy** principles can help, with business activity focused on re-use, repurposing, and recycling. This means economic activity and transactions come from *within* the existing pool of global resources. Profitable enterprise can continue, but only by adapting the business model, where profits are more appropriately generated from utilising the resources in use, rather than by extracting and wasting virgin resources.

There are some high-profile trailblazers out there. **The Ellen MacArthur Foundation** is doing great work to promote the widespread adoption of circular economy models. We see **Unilever** aiming to deliver its range of products using fewer resources and seeking to change customer behaviours and consumption patterns. And **B&Q** is working on experimental business models, shifting from *selling* to *leasing*, with products configured on **cradle-to-cradle** designs. It will be interesting to see how these, and other forward-thinking organisations deliver on this challenge – we hope they succeed and inspire others to accelerate their own journeys.

While the circular economy offers much potential, many businesses are still broadly operating within a growth paradigm and, therefore, still striving towards year-on-year growth in sales. Thankfully, there are a few exceptions we can learn much from.

Patagonia, the Californian outdoor clothing company, is perhaps one of the best known examples of a company, that really seems to be engaging with a *mindful* approach to consumption – by taking the seemingly counterintuitive approach to **encouraging its customers to buy less!** And by really pushing the re-use, repair and recycling business model – in pursuit of the **company's mission** of building the best product, causing no unnecessary harm, and using business to inspire and implement solutions to the environmental crisis.

Yvon Chouinard, the founder of Patagonia, also sees that there is a proper size for the company, and as he says in his inspirational talk – **The Education of a Reluctant Businessman** – "*There are no three star French restaurants with fifty tables – it's impossible.*" Patagonia, based on its values and principles, simply cannot become a large company.

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And what influenced the approach at Patagonia? Whether formalised or not, Chouinard points to his life-long study of Buddhist philosophies as being a major influence underpinning his work – definitely a more **mindful approach** to consumption.

One issue that must be addressed is how this shift in the business model will affect business results – what will happen to sales and the bottom line?

Shifting the business model from old to new economy principles: By moving to more sustainable models, businesses should be able to retain, or even grow their customer base, if we assume market demand is stable and that customers value the new, differentiated proposition. A more sustainable proposition should also have the lowest total cost of ownership, if all costs are accounted for, and going forward any proposition that is inherently unsustainable – by definition – cannot last. Although, we recognise that delivering on these assumptions is still a big challenge.

The real magic comes in being able to hold two situations at once; discontinuing the *risky stuff*, while concurrently ramping up on the sustainable goods and services. This is not an impossible task. Dong Energy, one of Europe's leading energy groups, is managing its transition away from fossil fuels, **towards 85% renewables by 2040**. And if a fossil fuel company can do it, anyone can.

In an ideal world, this *transition* would be smooth and seamless. While we cannot generalise on the specific cost dynamics within each business model, it is highly likely that some form of transition in results will be experienced, however, in both the size and quality of earnings delivered. The road to change is often bumpy and difficult.

Any transition will, of course, be especially difficult if undertaken within a volatile economic climate, such as the one we continue to experience today. There may be a need to revise our expectations – a drop in business income could happen during a transition – which may present a major **challenge** to business leaders and shareholders alike. Headcount reduction is often the conventional reflex response to income and cost challenges, but ultimately this can be a self-defeating strategy. We need to keep generating robust levels of employment and sufficient disposable income, to keep money flowing through our economies.

But there is an opportunity to look at this challenge through a different lens. If we adopt and extend the principles of *waste reduction* in our business thinking; for example, by spending less money on resources and waste, we can choose to **spend more on people** – *from waste to wages*.

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We just need to be mindful of the opportunity to release a proportion of savings in material and resource costs to be invested in jobs and remuneration.

Of the companies we have been studying and following these last few years, we are most impressed with what **Apollo Motor Group** has achieved in this respect. They are preserving jobs and increasing wages, while concurrently reducing resource and waste costs and increasing margins. There is massive potential in the realm of waste reduction, if it is not simply used as a mechanism to return even greater profits to shareholders.

We may need to come at this challenge from both ends – optimising resource use, certainly; but at the same time, optimising growth and the size of our businesses.

Moving away from short-term markets: It is difficult for conventional shareholder profit-driven businesses to imagine moving away from short-term gains and towards a more sustainable, longer-term business format.

How will the markets react? Will they understand, will they appreciate the bigger picture, and support what we are trying to do? Dare we even raise the issue, and risk scaring the horses? Or is it best to keep quiet, keep a low profile; keep delivering what we can, and hope that easier solutions, for some of our more intransigent sustainable business challenges, will somehow materialise further down the line? Should we just wait-and-see?

This is tough – and often a challenge to our personal values, as well as our business-political resilience; we want to do the right thing, to become more sustainable, and to build something that will ultimately deliver a better quality of earnings, and for longer – but we are hamstrung by the very limited perspectives of our organisational and ownership models. So what can we do?

We are pleased to see an increase in social enterprise and alternative business formats, particularly in the United States, with the emergence of the **Flexible Purposes Corporation** and also the **'B' Corporation**. Both of these models allow greater flexibility, and enable businesses to incorporate a range of goals in addition to the profit motive. And they are growing rapidly in popularity.

By early March 2013, 700 businesses have become Certified B Corps, across 60 industries in 24 countries. Perhaps one of the higher-profile B Corps, at least in terms of sustainability, is **Patagonia**. This growing roster of progressive companies also includes **Ben and Jerry's** and a whole host of businesses working towards the new economy.

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Moving towards more innovative ownership models may become essential, but can also be difficult, especially for those currently occupying a conventional stock market PLC format. Buying back shares – either directly or through an employee ownership scheme – and re-capitalising the business is generally seen as an expensive and impractical option.

But then again, which route is likely to be more costly in the long run: the cost of buying back shares, or the challenge of dealing with a falling market capitalisation, if the business cannot deliver on the short-term results expected by its shareholders? Let us not forget, with the business landscape changing around us, it is highly likely that businesses built on 20th century formats will become increasingly challenged.

Dell provides an unlikely source of inspiration here. As the company has struggled to meet business challenges, the original founder **Michael Dell and his business partners** have argued that they need to take the company back into private ownership, to provide the scope to make 'painful changes' that could impact on short-term profits, while they turn the company around. Dell shareholders **have recently approved** a \$24.9bn (£15.6bn) buyout offer by Michael Dell and Silver Lake Partners. This will end Dell's 25-year tenure as a public company.

But there are other examples of workable alternatives to the publicly traded corporation. The model deployed by **Triodos Bank** is worth exploring; shares are owned by a mixture of individuals and institutions, such as pension funds, but with institutional interests capped at 10%. This assures that Triodos will always maintain its independence. This blend and diversity of ownership is also traded within a *matched bargain market*,¹⁴ away from the short-term volatility of the conventional stock market. This helps to maintain the integrity of the Bank's mission and makes a longer-term view workable, while still attracting the necessary external capital required – the best of both worlds, perhaps?

Global trends such as the co-operative movement are bringing *collective ownership* models back to the fore – an approach that has experienced a great **resurgence** in interest since the financial crisis. Cooperatives are proving to be more resilient and **more competitive** than conventional businesses.

Shared ownership models have the added benefit of keeping money circulating in the local economy. According to **a new report by economic analysts K2A**, co-operative businesses boost local economies, generating a quantifiable benefit of an additional £40 for local suppliers, customers and employees for every £100 in sales. This is termed "*sticky money*" as it stays close to home, supporting the local economy.

¹⁴ Triodos Bank operates an alternative to the conventional PLC ownership model. All Triodos Bank's shares are held in trust, and are traded via an internal, euro-denominated, matched-bargain market, which ordinarily means depository receipts can be bought and sold on a weekly basis. Very large stakes can take longer to transact.

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Shared ownership really does mean shared wealth. A real world success story can be seen **with the continued success at the John Lewis Group** in UK – its 84,700 staff are sharing in the profits of the business with each member recently receiving an annual bonus worth 17% of their salary, the equivalent of nine weeks' pay. As these employees use this bonus to improve the lives of themselves and their families, presumably a fair proportion of these profits will flow back into to the economy – invaluable at this time of continued austerity.

Building on the UN **International Year of the Co-operative in 2012**, the **Blueprint for a Co-operative Decade** sets out an ambitious plan; for the co-operative form of business to become the acknowledged leader in economic, social and environmental sustainability, the model preferred by people, and the fastest growing form of enterprise by 2020. These are grand plans, indeed, and they could, over time, lead to a quiet revolution in our economies.

We are also pleased to learn of an emerging approach, advocated by a number of **Trade Unions** in the US, whereby they are investing in businesses to enable them to become co-operatives – this sounds quite an exciting and potentially liberating strategy, for businesses in all territories of the world. The key point is that there are alternatives, if we are open to explore them – we don't have to feel trapped by short-term structures.

Change is also occurring at institutional level, increasingly driven by stakeholder pressure – thanks to campaigns like **Bill McKibben's 350.org** – that are leading on market changing moves. Seattle City Employees' Retirement System, a US pension fund with nearly \$2 billion in assets, is currently considering whether to adopt a recommendation to **divest its holdings** in some of the world's biggest oil and gas companies, due to the threats posed by climate change - a bold move, and one that could become the norm. Just watch the stock prices drop, in the drift away from stranded assets.

But we can also make a difference on a personal level. The alternative to the stock market can also be about investing your money in your own community. Judy Wicks – community entrepreneur and cofounder of the Business Alliance for Local Living Economies (BALLE) – describes this as making a **"living return"**; where one makes a modest return from supporting and enabling the creation of a more sustainable local economy and a healthier community. Wicks made the decision to take all her money out of the stock market and put it into Philadelphia's Reinvestment Fund, through which she gets a straight financial return of between 4.5 and 5.5 percent, and the money she invests also benefits her own community. For example, it helped to finance the wind turbines that produce the electricity her White Dog Cafe buys.

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A new monetary system: And then there is the huge question of changing the money system itself; can this really change, given the many embedded vested interests? We believe it can. Time and time again throughout history, people have proven themselves to be resourceful, innovative and collaborative in seeking and developing better ways of doing things – often working around the constraints of existing systems.

There are already a number of active campaigns, calling for changes to our monetary system. In the United States, the **New Economy Working Group** has established a very comprehensive agenda – for citizens and institutions alike – in reforming the money system, by emphasising the role of Main Street as the engine for generating real wealth.

At a global level, there is growing influence from The **Global Alliance for Banking on Values**, which is working to make sure we have access to more sustainable banking alternatives, wherever we are in the world.

Enlightened institutions like **The Finance Innovation Lab** (driven by WWF and ICAEW and believed to be one of the largest social innovation project in Europe) are providing an open space where people can come together to explore, innovate and evolve the financial system, so that it sustains people and planet. This work is not just theoretical; the Finance Innovation Lab is currently delivering on **eight innovations** that range from helping the transition to a new green economy to exploring and implementing more radical new ideas, like completely new money systems.

Positive Money is a not-for-profit research and campaign group. It started with a focus on changing the UK money system in order to create a fairer and more stable economy. To this end, Positive Money researches and communicates how the current money system works and develops proposals and campaigns for change. It raises awareness of the connections between our current monetary and banking system and some of the biggest social, economic and environmental challenges that we face today.

This movement has recently expanded its reach – as the **International Movement for Monetary Reform** – to encompass similar groups in other countries, including Austria, Croatia, Finland, France, Germany, Iceland, Ireland, Israel, Netherlands, New Zealand, Slovakia, Spain, Sweden, Switzerland and the USA.

But we can also take action ourselves. The **Move Your Money** campaign urges us to do just that – move our money – so we can help build a better banking system through our collective buying power.

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And, if we find that banks won't lend to us, we can explore the new sources of finance emerging – such as **peer-to-peer lending** – that connects *borrowers* directly with investors. At a local level, we see the emergence of alternative *local* currencies, like the **Bristol Pound** in the UK, which aims to keep money flowing in the local economy, and can even be used to pay local tax bills!

We must not be under any illusion – if the current system doesn't work for the majority, people may find **radical alternatives**, effectively bypassing mainstream capitalism, "*forging their own way ahead using network technologies and thinking, to create alternatives to the not-fit-for-purpose status quo*". It could happen, and in some ways it has already begun.

Breaking ties with the old system: How do we transition to the new economy, when we are still tied financially with the old one? Many of our thoughts about an economic transition tend to assume that we can get capital to flow to where it is needed; that we can get investors with capital in the old economy to become more consciously aware of the real risks and issues, and then realise the opportunity for long-term sustainable returns, through investing in positive new economy assets and services.

While **investors are waking up** to the business case for sustainable investment, we still have some way to go. Al Gore points out that there are around **\$30 trillion of assets** currently signed up to the UN Principles for Responsible Investment – which is estimated to represent around 20% of the world's investment capital – but the reality is that most *old capital* investors are taking a while to see the light.

So, how do new economy companies get access to sufficient levels of investment, to make the new economy happen? We may of course be accused at this point, of being constrained by *old economy thinking*, by the very thought that we still need money to do things. But as David Korten reminds us, we all live in a society in which access to nearly every means of living depends on **having sufficient money**. This gives great power to those who have money, over those who don't – and especially to those that control the creation and allocation of money.

We can think about *workaround solutions*, such as the creation of new independent money systems – working entirely within and for the new economy – but if people are paid in *new and alternative currencies*, which are not recognised by old economy institutions, how does one pay the mortgage? What are the options?

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Perhaps we can transition our mortgage accounts to new economy banks? The financial interface and transition between old and new economy is a real challenge that will require more work, if we are to avoid a major sticking point with any new economy transition plan. We welcome further ideas and debate on this fundamental topic.

Understand the possibilities and limitations of regulation: As John Elkington recently argued, it is questionable that capitalism, if left to its own devices, could ever fully **reform itself**: *"Self-discipline and voluntary initiatives can only take us so far."* Some form of regulation is required to create the right framework for business to work within. **Stephen Hockman QC** points towards a raft of potential regulations that could help create the right environment for responsible capitalism, including: a corporate governance code, a professional code of conduct in banking (similar to those governing doctors and lawyers), more control/limits on executive pay and the creation of new criminal offences for corporate wrong-doing. He also calls for urgent action in the UK, to establish a *standing commission on responsible capitalism* that could take forward such proposals. More work is certainly required to establish an appropriate package of legislative proposals, that would support and enable the range of changes explored in this Paper.

Overcoming inertia and the fear of change: Change is always difficult. And as we know, most people tend to be experiential, and may not be ready to face up to the real issues, until a crisis hits them, head-on. But, as the drivers for change in the 'perfect storm' we are heading into become irresistible, we are likely to see a huge migration of people and businesses towards a more sustainable economic model. Perhaps we need to get ourselves geared up for change, ahead of the curve? The pain of managed change is surely going to be less than the pain of enforced change, in the heat of a crisis?

The further we progress on our journey towards systemic change, the more fundamental are the constraints and challenges that we encounter. As the Guardian's **Jo Confino** points out, the fear of radical change and failure can often hold us back. And so, we reach the ultimate barrier – ourselves – where the only way forward is to go within, and change our own internal world. Only then can we move forward to drive the changes that are truly necessary.

For many, the Buddhist practice of **Mindfulness** is helping to increase awareness and enable conscious choices, allowing us to overcome our fears and act in more sustainable ways. As Professor Joel Magnusson, author of *Mindful Economics*, puts it: *'Mindfulness is calm openness, and at the same time piercing the layers of delusion that have been accumulating, collectively in our minds and institutions.'* The implication is that Mindfulness helps us see past the illusions of a consumer-based and materialistic society, to find a more meaningful, less material approach. Perhaps this is a vital tool in our quest for meaningful and lasting change?

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Interestingly, the concept of mindfulness appears to be making inroads into the business world, and is almost, dare I suggest, becoming fashionable. According to **Karl Weick at the University of Michigan's Ross School of Business**, "*Mindful organisations are better able to manage the unexpected in a challenging, highly competitive environment*". This certainly sounds like a good idea, given the massively turbulent times we find ourselves in.

There are certainly some **big corporate names** that appear to think so, including AOL, Apple, General Mills, Huffington Post, Google, Nike, and Procter & Gamble. Even **Steve Jobs, Apple's founder and former CEO**, was a Zen Buddhist; and he spoke openly about how his time meditating in India shaped his worldview, and ultimately, Apple's product design.

The team at Google has developed a robust set of mindfulness and wisdom practices and courses, including *Mindfulness Based on Emotional Intelligence* – a seven-week course, meeting once each week, and which includes a full day at a meditation retreat. The approach has become increasingly popular, and over 4,000 of Google's 35,000 employees have now taken some form of mindfulness, wisdom, or wellbeing programme.

For Google, mindfulness is all about achieving peak performance and optimising productivity through more mindful practices. The practice of *mindful consumption* is absolutely key as we strive towards a genuinely sustainable economy; we believe the effect of this would be completely transformative. It would have huge implications for all of us; for our businesses, and the ways in which we run our economies.

Embrace the positive and true aspects of human nature: Some will point to 'human nature' as the ultimate barrier to implementing any new economic system. They argue that human beings are inherently self-interested and that self-interest will always be the overriding factor that keeps the system focused on individual gain rather than allowing exploration of more collaborative approaches, focused on collective benefits. But is this right, have the arguments been presented correctly?

As Joel Magnusson points out, in his excellent book **Mindful Economics**; our emphasis on individual self-interest – often backed-up by reference to Darwin and survival of the fittest – is now being challenged, by reference to what Darwin *actually said* about co-operation in nature, and a re-evaluation of how human beings are *wired* for co-operation, as well as competitive behaviour, especially in the face of danger.

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And as **David Korten** reminds us, Adam Smith, the often-cited 'father' of the free market, actually believed '*that people have a natural and appropriate concern for the well-being of others and a duty not to do them harm. He also believed that government has a responsibility to restrain those who fail in this duty.*' Perhaps it is time to embrace the more positive and collaborative aspects of human nature, in meeting the challenges of our time?

Meeting the political challenge: In creating the right policy environment for a sustainable economy, politicians face a similar challenge to that faced by business leaders. Campaigning or legislating for zero or low growth is hardly seen as a vote-winner, by all but an enlightened few.

All mainstream parties in UK have had their **green credentials tested** and have been found wanting. And of course, as we have explored, the real debate is much wider, deeper and harder than the confines of green issues. The full implications of the new sustainable economy debate is just so far from where we are at present, in the realm of public policy debate.

There are also questions over whether democracy can cope with the challenges we face. Can we make the necessary changes required in time? And can our political processes withstand the assault from powerful lobbying, representing the interests of those that would rather retain the status quo?

We know there are powerful vested interests that have prospered under the old order, and are perhaps not willing to let go, just yet. **The power of Big Oil** presents an obvious **major issue**. According to Bob Eccles and George Serafeim of the **Harvard Business School**, just 1,000 businesses are responsible for half of the total market value of the world's 60,000+ publicly-traded companies. They virtually control the global economy. This concentration of power has worrying consequences both for democracy, and for any potential transition towards a more sustainable and equitable form of economy.

And yet, it would take a very complacent person to think that things will remain as they are for very much longer.

Given the considerable power and influence of vested interests, perhaps we should not seek to change any of the elements that are so much within their direct control? In any head-on conflict there is only really likely to be one winner. Perhaps a different model for change is required – one that is more measured, less confrontational, less high profile, but progresses at pace under the radar?

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Should we seek to build a new economic ecosystem alongside the old model to enable a gradual migration of people and businesses to the new more sustainable world? If we build it, and it is viable and attractive, perhaps the people will come? We explore this approach at the heart of our proposals in Sections 6 and 7 of this Paper – our 'Call to Action' and proposals for change. We call for evolution and migration, rather than revolution and confrontation.

Given how far **behind-the-curve** our political leaders are in leading on systemic change, it is even more important for businesses to take the lead and show our politicians a *positive vision* for what is possible when we approach things in a different and more sustainable way.

The role of inspirational leaders: Paul Hawken famously described the environmental movement as *the largest movement on earth, without a single leader*. He is probably right. Perhaps we can extrapolate from his insight, and propose that all those working towards a more sustainable form of capitalism are similarly involved in a leaderless global movement? It is arguably a subset of the same cause, and as we have found, so many people and organisations operating in this space are surprisingly aligned with a coherent and consistent direction. And together, they are acting as catalysts for real change.

But as we often find, in life as well as in business, we all look to leaders to help show us the way; to provide us with a vision, to instil motivation and confidence to make things happen. It is definitely worth highlighting some of the leaders out there who provide a beacon for us to navigate by in making the necessary transition in our economies, through these turbulent times.

Ray C Anderson – Sadly no longer with us, Ray Anderson was and still is an inspiration to many. His story is now the stuff of legend, including the 'spear in the chest' epiphany Ray experienced when he first read Paul Hawken's *The Ecology of Commerce*, while seeking inspiration for a speech to an Interface task force on the company's environmental vision.

In 1997, Anderson described his vision for his company, then nearly a quarter-century old, that stands true today: "*If we're successful, we'll spend the rest of our days harvesting yester-year's carpets and other petro-chemically derived products, and recycling them into new materials; and converting sunlight into energy; with zero scrap going to the landfill and zero emissions into the ecosystem. And we'll be doing well ... very well ... by doing good. That's the vision.*"

Seventeen years and a sea of change later, Interface is more than half-way towards the vision of "Mission Zero," the journey no one would have imagined for the company or for the petroleum-intensive industry of carpet manufacturing (which has been forever changed by Anderson's vision).

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Today, Interface is the world's largest producer of modular commercial floor coverings and has diversified and globalized its businesses, with sales in 110 countries and manufacturing facilities on four continents.

Anderson's works are well documented including in his excellent book, *Confessions of a Radical Industrialist*. If you haven't read a copy yet, then put it at the top of your list; it's a great read that speaks to us on so many levels. It's a book that is hard to put down as Anderson shares his wisdom and lessons learned in the inspiring context of his personal passion, commitment, persistence and sheer determination.

But Anderson's work and Interface's Mission Zero are not just about the usual *eco-efficiency* approach to sustainability. They are about engaging in the re-design of commerce: tackling the culture of consumerism and designing a new approach to business as well as technological innovation. This involves the creation of new business models that focus on delivering services and adding value to customers in a closed-loop approach, rather than just selling material products. This is pioneering stuff.

Although Anderson passed on in 2011, he is still for many a great leader, and it is great to see his legacy carried on through the works of the **Ray C Anderson Foundation**.

Sir Richard Branson – An incredible businessman, with great insight, vision, passion and energy, he has always been a champion for disrupting markets for customer benefit. He is renowned for his 'screw business as usual' approach focused on challenging long-held assumptions and constantly seeking a better way.

Sir Richard Branson is Founder of the Virgin Group, one of the world's most recognised and respected brands that has expanded into many diverse sectors from air and ground travel to telecommunications, health, space travel and renewable energy. Virgin operates more than 400 companies worldwide and employs approximately 50,000 people in 29 countries.

In 2004, Branson established his non-profit foundation, Virgin Unite. It mobilises talent and resources from across the Virgin Group and beyond to tackle tough social and environmental problems in an entrepreneurial way. The foundation has focused on such projects as designing a new global leadership model to address conflict, climate change and disease. Virgin Unite is built on the belief that the only way we can address the scale of the challenges facing the world today is by revolutionising the way businesses and the social sector work together – driving business to act as a force for good.

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Together with Jochen Zeitz, Branson co-founded and co-chairs the **B Team**, a collective of some of the world's leading figures in business, who share a common vision for a world in which the purpose of business is to be a driving force for social, environmental and economic benefit.

Their collective mission is to deliver a 'Plan B' for business, a plan that puts people and planet alongside profit. Given the serious and seemingly intractable nature of some of our global challenges, Plan A – where companies have been driven by the profit motive alone – is no longer acceptable.

Yvon Chouinard – The noted alpinist, founder and co-owner of Californian outdoor clothing company Patagonia Inc., is also the co-founder, with Craig Mathews, of 1% for the Planet, an alliance of businesses that contribute at least 1 percent of their annual reserves to environmental causes.

Chouinard is co-author of the excellent book, *The Responsible Company*, and sole author of *Let My People Go Surfing*. He is often referred to as a **reluctant businessman**, and with Patagonia he has arguably created one of the best-known examples of a company that really seems to be engaging with a *mindful* approach to consumption. Patagonia has taken the seemingly counterintuitive approach of encouraging its customers to buy less while really pushing for a business model based upon re-use, repair and recycling. This approach is in keeping with the company's mission of building the best product, causing no unnecessary harm, and using business to inspire and implement solutions to the environmental crisis. Yvon Chouinard is a worthy, authentic and inspirational leader.

John Elkington – A major name in the sustainability movement for many years, and currently championing the model for *Breakthrough Capitalism*, Elkington is Founding Partner & Executive Chairman of **Volans**, and previously Co-Founder of SustainAbility and Environmental Data Services (ENDS).

In 2004, BusinessWeek described him as, "*a dean of the corporate responsibility movement for three decades.*" In 2009, a CSR International survey of the Top 100 CSR leaders placed Elkington fourth: after Al Gore, Barack Obama and the late Anita Roddick of the Body Shop, and alongside Muhammad Yunus of the Grameen Bank.

In May 2013, Elkington was inducted into the *Sustainability Hall of Fame*, by The International Society of Sustainability Professionals (ISSP), in recognition of his extraordinary contribution to the field through research, publication, teaching and innovation. Volans, launched in April 2008, is a certified B Corp. consultancy and think-tank that drives market-based solutions to the future's greatest challenges.

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Elkington is the author or co-author of 18 books, most recently *The Zeronauts: Breaking the Sustainability Barrier*, published May 2012. *The Zeronauts* spotlights a new breed of innovators, entrepreneurs, investors and policy-makers who are pushing towards zero in such areas as population growth, pandemic risk, poverty, pollution and the proliferation of weapons of mass destruction. It explores ways in which corporations, citizens, cities and countries can tackle the civilizational challenges found at the intersections between demography, consumerist lifestyles, natural resource availability and climate change.

Al Gore – Well known for his influence on climate change awareness and action, but equally concerned about making sure capitalism works in more sustainable ways, Former US Vice President Al Gore is co-founder and chairman of Generation Investment Management. He is a senior partner at Kleiner Perkins Caufield & Byers, and a member of Apple Inc.'s board of directors. Gore spends the majority of his time as chairman of The Climate Reality Project, a non-profit devoted to solving the climate crisis.

Gore was elected to the U.S. House of Representatives in 1976, 1978, 1980 and 1982 and the U.S. Senate in 1984 and 1990. He was inaugurated as the forty-fifth Vice President of the United States of America on January 20, 1993, and served eight years.

He is the author of the bestsellers *Earth in the Balance*, *An Inconvenient Truth*, *The Assault on Reason*, *Our Choice: A Plan to Solve the Climate Crisis*, and most recently, *The Future: Six Drivers of Global Change*. He is the subject of an Oscar-winning documentary and is the co-recipient, with the Intergovernmental Panel on Climate Change, of the 2007 Nobel Peace Prize for, "informing the world of the dangers posed by climate change."

Al Gore's work on sustainable capitalism has been one of the key sources of inspiration for this Sustainable Economy Project.

David Korten – Definitely one of our heroes as we find the clarity of his intent, his thinking and articulation are simply inspirational. Dr. David C. Korten worked for more than thirty-five years in preeminent business, academic and international development institutions before he turned away from the establishment to work exclusively with public interest citizen-action groups.

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He is the co-founder and board chair of YES! Magazine, co-chair of the New Economy Working Group, founder and president of the Living Economies Forum (formerly the People-Centered Development Forum), a member of the Club of Rome, a former board member of the Business Alliance for Local Living Economies and former associate of the International Forum on Globalization.

Korten's publications are required reading in university courses around the world. He has written numerous books, including *Agenda for a New Economy: From Phantom Wealth to Real Wealth*, which is possibly one of the most influential pieces of work behind this paper. He is also the author of the international best seller, *When Corporations Rule the World*, as well as *The Great Turning: From Empire to Earth Community*, and *The Post-Corporate World: Life After Capitalism*. He contributes regularly to edited books and professional journals, and to a wide variety of periodical publications.

Korten is also a popular international speaker and a regular guest on talk radio and television. His work has had a huge influence on this Sustainable Economy Project.

Paul Polman – Paul Polman is CEO of the multinational Anglo-Dutch food and detergent company Unilever, Vice-Chairman (and the next Chairman) of the World Business Council for Sustainable Development, a member of the International Business Council of the World Economic Forum and serves on the Board of the UN Global Compact. He is on the Board of the Consumer Goods Forum and is a Director of the Swiss American Chamber of Commerce.

Last year, he was invited to serve on the High Level Panel looking at the Post 2015 Millennium Development Goals and previously acted as co-chairman of the B20 group of companies reporting to the G20 on Food Security. He is also a member of the European Resource Efficiency Platform Working Group, chaired by EU Environment Commissioner Janez Potocnik. Since 2010, Polman has been a non-executive director of the Dow Chemical Company.

In recognition of his contribution to responsible business, in 2012 Polman received the Atlantic Council Award for Distinguished Business Leadership and the CK Prahalad Award for Global Sustainability Leadership.

Paul Polman has shown tremendous leadership in breaking the tyranny of quarterly reporting at Unilever. His focus on customers first, rather than focusing primarily on shareholders is certainly a rarity, working against the grain in the traditional business world. If all other CEOs followed his lead, perhaps this would become a real game-changer? But will they?

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Jochen Zeitz – Jochen Zeitz is Director of **Kering** and Chairman of its Board of Directors Sustainable Development Committee after having been the CEO of the Sport & Lifestyle division and Chief Sustainability Officer (CSO) of Kering since 2010. He is a co-founder and co-chair of The B Team with Sir Richard Branson. In his B Team leadership role Zeitz has shown clear and astute thinking, a deep understanding of key issues and razor sharp focus. He is one to watch.

Prior to his work at Kering and The B Team, Zeitz served for 18 years as Chairman and CEO at PUMA. He was appointed to his role at PUMA in 1993 at the age of 30 and financially transformed the company. Under his leadership PUMA changed from a low priced, undesirable brand with less than 200 million Euros in sales into a desirable, premium brand by 2011 with 3 billion Euros in sales and is now one of the top 3 brands in the sporting goods industry.

He is an individual who believes in, and is committed to, contributing to the practical and transparent application of a new business paradigm of corporate social and environmental sustainability, Zeitz introduced **PUMAVision** in 2008, defining a corporate ethical framework based on four key concepts being applied to all business behaviour, procedures and relationships: Fair, Honest, Positive, Creative. In May 2011 he was the first to develop and announce an **Environmental Profit & Loss Account** (EP&L) that puts a monetary value to a business' use of ecosystem services throughout its entire supply chain. Zeitz's commitment to the environment extends into his personal life as well; he founded the non-profit 'Zeitz Foundation for Intercultural Ecosphere Safety' in 2008.

Zeitz is also a member of the TEEB (The Economics of Ecosystems and Biodiversity) Advisory Board and a Board member of Wilderness Safaris and Chair of its Sustainability Committee.

Zeitz has received numerous awards during his professional career, including "Entrepreneur of the Year", "Strategist of the Year" for three years in a row by the Financial Times, "Trendsetter of the Year", and "Best of European Business Award 2006". In 2004, the German Federal President awarded him with the Federal Cross of Merit of the Republic of Germany.

And We Can Be Heroes...

While visionary and inspiring role models are important, let us remember that leadership and change is not just about big names or big business – it's about *all of us*.

We all need to change the bits we can influence, and migrate towards the more sustainable forms of economy and commerce available to us. We can take back responsibility for making informed and mindful choices and in so doing, we become aware of our true influence – we can wield far more power than we may currently realise.

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Do not doubt that there are many, many leaders out there – including you – already inspiring change, overcoming obstacles and helping to create a better future. They are leading the way and doing the best they can through challenging turbulent times. Many of these leaders may well be operating 'under the radar' in their communities and industries but, as conditions evolve, and make their presence even more necessary, rest assured that one by one they will emerge, coming together in their shared hope and vision. **Cometh the hour...**

the sustainable
economy
project:
a call to
action

section 6

6. The Sustainable Economy Project: A Call to Action



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"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

Margaret Mead

The Emerging and Profound Need for Change

Capitalism is *at a crossroads*. It has been, more or less, the only show in town since the fall of communism, serving as the best, or perhaps simply the least worst, means of meeting our collective needs, allocating scarce resources and distributing wealth. Its excesses have also been criticised for the ongoing financial crisis, the growing poverty gap, and the degradation of our ecosystems.

Capitalism stands accused of failing to create shared wealth, failing the planet and creating an ever-widening gap in our societies. It even stands accused of failing shareholders. Capitalism is therefore undergoing a wise degree of introspection – can it survive, will it evolve, or will a new system emerge from a scorched landscape of creative destruction?

As we have found throughout our journey in search of Capitalism 2.0, it is unlikely that the current model, even with a range of incremental improvements, is likely to give us what we need. We need a total paradigm shift: a new way of working and living. We need to create a new system that will support the transformation to a sustainable and low carbon economy, providing opportunity and wealth for the many, not just the few. And the reality is, as we find time and again through history, we are highly unlikely to make radical changes from within the current system, due to the power of incumbents and other vested interests.

To make the Sustainable Economy a reality, we cannot wait for our politicians or other leaders, either. Quite simply we, the people, need to become the change we want to see. The good news, as we have already found, is that there is already much going on – albeit largely under the radar – but once you start looking, the more you will find.

Imagine what could be possible if we join up, collaborate, share and move together in a coherent way? By making conscious choices in key areas, could we actually end up with a different, fairer and more sustainable economic system? Could the current system actually evolve and change, based upon our collective choices and actions?

Why a Campaign?

We have all grown used to the idea of attending conferences or seminars, focused on the latest *hot topic*. We convene for a short period of time, create a buzz, generate some good ideas and debate perhaps, and identify some *takeaways* and minor action items. Then we go back to our usual daily lives and... *back to the same old, same old*.

Furthermore, our short attention spans in business these days, our obsession with novelty, with finding easy solutions and quick fixes, means that very little really meaningful, and lasting change takes place.

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Something as complex and involved as developing and influencing a new model for our economic system will never be achieved with easy solutions or quick fixes. This challenge is real, and resolving it will require hard work from all of us.

We are at a turning point in the life cycle of the human race. It is time for us to grow up, to move on from our spoilt teenage years and into a more earnest adulthood. We can still have our fun, but it is time for it to be of a more grown up variety; aligned with facing the task at hand, and striving for the future we want for ourselves, and for our children.

It is from this reality that the idea for the Sustainable Economy Project was born. We are working to create a joined-up movement. We seek to shine a light on the steps needed for societal economic transformation. We want to enable people and businesses to move together from building awareness, to engaging in debate, to shaping the elements of change, to developing a road map, to experimenting with ideas, to testing and refining those ideas, to implementing practical solutions that deliver a real impact, to sharing and building upon each other's learning and ultimately, to inspiring a collective migration towards a better, more attractive, alternative economic ecosystem. We believe that this movement is not only possible but also necessary, for us all to move towards a better place.

Our work with The B Team led us to recognize the need for an authentic, bottom-up campaign, to complement the range of business-led initiatives already out there. No one has all the answers, and no one should have a monopoly on the debate either. A bottom-up campaign makes room for many voices, many students and many teachers. After all, there is more than one university in the world.

The Time is Right

Many of you may be asking, "*Do you think that companies are really interested in finding a new or better approach for capitalism?*" The answer is probably "*No, not directly.*" For many businesses they would rather continue their *business-as-usual* approach. But sometimes the most profound changes are not necessarily market-led; they are driven, and driven hard, because there is a compelling need, and a limited timeframe for action – a crisis.

We are facing a crisis that will very shortly become a priority for all businesses. Economies continue to suffer through restructuring programmes; we are also at the intersection of climate change, rising energy prices, resource scarcity, and **ecological overshoot**. Individually and collectively, we must have a plan ready to make a real transition to a more sustainable operating system; the time for incremental improvements, or burying our heads in the sand, is over.

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Many of the so-called '99%' are concerned and frustrated – not just with the old system, which they feel has let them down – but also by a sense of inertia and resistance to change. At the same time as people are focusing on inequalities in the current system, many are also starting to open up and engage with their own personal journeys. And as people seek out a greater understanding of self, of how we all relate, and of life's purpose, they are more open to change and to seeking out a better way. The right ingredients are in place for our collective transformation. When we all look back, perhaps we will see 2013 as a pivotal year?

A New Model for Change

Ghandi nailed it when he said, "*Be the change you want to see.*" This is a profound statement on a number of levels. On one level, of course, it is a straightforward call to action, asking individuals to do the small things they can, within the scope of their environment and everyday lives. For example, we can recycle more, strive for zero food waste, use less water, switch to a renewable energy provider, drive the car less, and so on. But it can go to a deeper level, and this is the really liberating point.

At some time in our lives, each of us may have tried to change something that felt outside of our own control. Perhaps you even bit off something a bit bigger than you could chew? Maybe you worked to change the culture of an organisation? Or, the ingrained practices within an industry? Or, the way in which someone behaves towards you? If you were lucky, perhaps you enjoyed some limited success. But more likely, such efforts delivered very little, apart from frustration and headaches. There are some things we cannot change, and perhaps should not even try to change on our own – and certainly not head-on, in any case.

This is Ghandi's real point; if we take action individually, but also seek to connect up with others who may be wanting to begin, or are perhaps already, working on similar changes, we can make real transformation happen. As the human race, we can become the change we want to see.

We must focus our attention, less on trying to meet conflict head-on by attacking and changing the old system, and more on peaceful participation in making the new system a workable, enjoyable reality. This is the change model we are promoting with our Sustainable Economy Project; we want to facilitate the transition to a new, viable, credible and more attractive model for capitalism – a better alternative.

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Co-creating a Better Alternative

We must all work together to co-create a better alternative. It is through the collaborative design process, collecting all the pieces in the global jigsaw puzzle, joining these up, and co-creating our new system, that we make the vision of a better alternative a practical reality.

Then, by promoting this new model and raising awareness of this better way, more and more individuals and businesses will seek to join us and migrate towards this new operating system. Ultimately, enough people will join that we will reach the tipping point where this approach becomes and defines the new mainstream.

As this transition occurs, the old system becomes less and less attractive, less and less populated, and thus less and less viable; eventually it simply withers and dies. We don't have to change the old system; we just have to create a new one alongside it. The new system will be one that grows, that becomes stronger, more attractive and more resilient.

Creating a new system in parallel to the old one is much more fun than attempting to change a broken and entrenched system. There are no vested interests to become overly concerned about, and this is a real process of creative destruction; as in nature, new life takes hold and grows alongside what has died away.

Given the magnitude of change required to 'fix' our system, incremental models for change will not deliver the fundamental changes required, and certainly not with sufficient pace. We have to envision a better alternative and we have to join together to define our criteria for what good looks like, develop our design principles, debate and design our solutions, refine them, articulate our vision and share our vibrant picture of where we're headed. Together we can make a better vision into a better reality.

Transformation: Through A Series of Moves

We are looking at a project of transformation. This is a major and high profile undertaking that seeks to promote a new reality, one that will eventually become the new mainstream for sustainable economy and commerce. We envision a project that will help people and business find a better way. We seek to overcome cynicism and inertia by sharing real possibilities and inspiring people to become the change they want to see.

We need to develop and set the agenda; this is by no means a done deal yet. We seek to connect the dots, and collaborate with others already doing great work on the key elements of the new operating system.

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While the ideas are widespread and varied, there are common themes and principles that unite them. The Sustainable Economy Project is designed to deal with key issues, develop the design for a new system, engage with a wide range of stakeholders and determine how we take this change from dream to idea to reality. This process will involve a series of strategic moves and 'hybrid events'; that will be developed and co-ordinated to address key questions and define our common vision, both in theory and in practice.

We recognise the importance of engaging with all parties. For people to buy in to these blueprints for our collective future, they have to be included in the conversation, the design process, and decision-making discussions. Since we want and need everyone to buy in, we all have to participate.

Through this paper, we have explored a range of approaches and views, to develop a synthesis of *what could be*. But don't take our word for it... We have to start again, together, and right at the beginning.

What system of economy and commerce would you like to see? Why not build your own model, or better still, why not join up with the Sustainable Economy Project and help to shape and co-create the future? You can choose to become part of a Worldwide Design & Implementation Team. You can seize the opportunity to collaborate with a range of people and organisations worldwide, each of whom share the common aim of working for a new, fairer, more sustainable economy. 'Be the change' means co-creating a new way.

Together, we can dream a new way of living and doing business. **Together**, we can shine a spotlight on people who are doing good works that offer us all greater choices and contribute to the greater good. **Together** we can create a new worldwide ecosystem for sustainable ecology and commerce. **Together** we can be the change.



section 7

7. Shaping the Future: What Might We Focus On?



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"An invasion of armies can be resisted, but not an idea whose time has come."

Victor Hugo

Throughout our analysis, we are always mindful of the need to turn ideas into practical action – without this all we have is another paper exercise. In this section of our Paper we attempt to provide an initial agenda for change, one that will make a real and positive impact for our businesses, our communities, and for people's lives.

As we have already indicated, this is by no means a done deal yet. The model for change we are proposing requires everyone to get directly involved and engaged, to review and co-create a complete and robust agenda. We simply want to set the ball rolling here, based upon what is already happening out there and our initial thoughts on what strategies and actions might be required. It is useful to have a model to start from, even if, after we go through the process of working together, we end up with something completely different.

We offer eight ideas below to serve as some points of focus for a series of potential change projects that we can shape and deliver through online collaboration:

1. The Goals of a Sustainable Economy

What would it take to develop a more holistic and balanced model for our economies, based on the goals of human happiness and wellbeing, and not just a narrow focus on financial wealth?

Can we find a viable alternative to the myopic and destructive emphasis on GDP and growth? Can we find a model that still works for business, creating opportunity and shared prosperity, within the finite limits of our planet? What models are already out there, that could drive our economies towards becoming more holistic and sustainable?

What can we learn from Bhutan's Gross National Happiness Index, OECD's Better Life Index, NEF's Happy Planet Index, and Porter's Health and Happiness Index? Can we develop a single, global standard? This will drive everything.

2. Mechanics of a Sustainable Economy

What systems would we need to put in place to deliver our holistic goals? Can we define a new paradigm of managing without growth, yet still achieving a sustainable form of shared prosperity?

How can we rebalance our economies, weaning ourselves off consumption, and meeting our real needs in service of people and planet? Will a sharing economy take off? How will we manage to 'green' *all* sectors and *all* activities within our economies?

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How will we develop an appropriate view of what 'capital' means, in terms of living wealth within a paradigm of sustainable economy?

Will we make a wholesale shift and adopt a circular economy that maximises our resources in useful circulation? How can we best achieve all these things while maintaining our standard of living? This is where we will need to engineer practical and complementary solutions, rather than ideas that achieve one goal at the expense of another.

3. New Models of Business Success

This is a fundamental component of our Sustainable Economy Project. Business has great power in shaping our brave, new world. Can we create a new paradigm for business, making the shift from 'dumb' to 'smart growth'? Can we involve business models based on generosity, creativity, and resilience, with a focus on doing the right things, adding thick value, based on need, rather than greed?

What business models will enable shared sustainable wealth? What organisational and ownership formats will we need to adopt in this brave new world? What does success look like for sustainable enterprises of the future?

How can businesses make the transition? Will The B Team show us the way? Will we all become Certified B Corps? Will it prove to be the age of the co-operative? Will we all adopt ESG metrics? What will be the new gold standard for business?

4. Sustainable Investing

This is another key project, as investor behaviour really does drive everything in our economy.

How do we move away from destructive short-term thinking? How can we get capital to flow more efficiently and effectively to where it is needed? How can we integrate sustainability criteria into our investment decisions in a meaningful way?

How do we invest in the right assets for a sustainable future, to create real and shared wealth? How do we migrate away from stranded assets, with a managed transition that doesn't itself trigger economic collapse?

There are many big issues to deal with in this realm, and thankfully we see some great work already going on in this space.

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5. New Financial & Banking System

How do we create a well-functioning money system; one that can direct money to where it is needed, in service of people and planet? Will we see the emergence of a fairer, more sustainable money system in support of the real economy?

What would a sustainable banking ecosystem look like? On what principles should such a system operate and how would this be of benefit to all of us? What choices do we have – are there already good sustainable banks out there? Where do I go in my region? How do I find out more?

What can organisations like the Global Alliance for Banking on Values and its member organisations do to meet the latent and emerging demand for sustainable banking services worldwide?

Will the mainstream banks really change, and migrate towards a fairer and more sustainable model? Will alternative currencies become the new mainstream? How could this work in practice? There is much work to be done.

6. Institutions & system resilience

Will our old and crumbling institutions allow themselves to be reformed, along more sustainable principles? Or will they be replaced by new, more agile, responsive, and fit-for-purpose institutions? What underpinning tax and regulatory regimes do we need? What new legislation is required? What institutions do we need to uphold these new regulations?

How will our political parties need to refocus? How can the trade union movement and other groups play their part in supporting the necessary transition?

Is there a more proactive role for governments around the world, in enabling new types of economic activity to happen, that would otherwise not occur? Could they adopt what **Mariana Mazzucato** – Professor and Economist at Sussex University in UK – describes as *The Entrepreneurial State*? This is an exciting prospect. And rather than pursuing the rather arbitrary argument about the size of the state, perhaps we would all be better engaged in questioning what role we need the state to play, going forward?

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7. Re-localised and resilient economies

The current paradigm for big business is breaking down. **The drivers that enabled the rise of globalisation** are changing irrecoverably, meaning that this model is unlikely to continue in its present form. The cost of transporting goods is rising, climate change is already starting to impact on what you can do and where, the exploitation of resources and people in different parts of the world is unsustainable, and cheap credit is no longer available, impacting on the notion of want-based consumerism.

And while globalization has enabled large corporations to dominate, it has done little for regional and local economies. It also promotes an **ecologically wasteful** form of trade. In 2008, for example, the UK imported 22,000 tonnes of potatoes from Egypt whilst exporting 27,000 tonnes back again. This is not a sustainable strategy going forward, and we need new models.

Perhaps we will see a shift towards more regional and local solutions and economies, with re-localised production, closer to demand. Any business organisational and ownership model predicated on global market domination is unlikely to continue to succeed: unless, of course, we can balance our desire for scale with genuine local solutions, including ownership.

Perhaps regional initiatives like The New Anglia **Green Economy Pathfinder** in UK will help provide us with a useful template? Through this initiative we see an exciting new manifesto, with a route map of five key objectives and twenty-five goals to achieve a sustainable and low carbon economy. It has already impressed senior EU policy makers, and it will be fascinating to see how this innovative approach delivers.

In the United States, we are also impressed with **BALLE** (Business Alliance for Local Living Economies) and its mission to catalyze, strengthen and connect networks of locally owned independent businesses dedicated to building strong Local Living Economies.

Within a generation, BALLE envisions a global system of human-scale, interconnected local economies that function in harmony with local ecosystems to meet the basic needs of all people, support just and democratic societies, and foster joyful community life. In support of this, BALLE equips entrepreneurs with tools and strategies for local success, and provides a national forum for the most visionary local economy leaders and funders to connect, build their capacity and innovate.

7. Shaping the Future: What Might We Focus On?



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Could re-localised economies deliver the **re-shoring/on-shoring** of jobs, providing purpose, hope and shared wealth in our communities? Could this mean a resurgence of small and medium-sized enterprises and local entrepreneurialism?

For the established large and even global businesses, this might mean re-structuring along more local, resilient models with production closer to demand, and with more shared/local ownership. This way it might be possible to retain global presence, but not necessarily domination – a smaller share of a still very substantial pie.

This strategy might also help big businesses deal with the call to break up their market dominant positions, in a way that could be positioned in a very sustainable light. Large retailers could transform their ownership models and enhance their sustainability credentials at a stroke – creating a more devolved and local structure, greater local wealth, and real employee commitment, but also retain brand presence, and a significantly enhanced reputation.

Could we see a move towards **decentralised renewable energy** solutions, away from big energy, and will these become the dominant providers of our right-sized energy demands? Will **community-based** and owned solutions become increasingly the norm?

How would we manage such a transition – could this fall within the scope and influence of an expanding **Transition Network?** ¹⁵

8. Education for the Sustainable Economy

There is little doubt that the world of education also needs to catch up with our changing reality. How will we ensure that our students of all ages are equipped for the challenges they will face and are able to support the necessary transition? Could this mean integrating sustainability principles and challenges into the heart of all curricula? This could be a significant challenge, especially for business schools worldwide, as they will need to reinvent themselves – both in terms of curriculum and teaching philosophies and methods.

Business courses will need to be founded on new models for business success. Minor curriculum tweaks or incremental changes will not suffice. A new teaching paradigm is needed, one that integrates sustainability principles into its very core. It is not enough to simply inject sustainability ideas into each component of the conventional business paradigm. The movement for CSR is at best only a partial solution, and is largely based on corporations creating an illusion of responsibility.

¹⁵ Transition Network is a UK based charitable organisation that supports community-led responses to climate change and shrinking supplies of cheap energy, building resilience and happiness. The movement is now spreading its influence around the world.

7. Shaping the Future: What Might We Focus On?



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We must go deeper: Sustainability in all its dimensions must be made a foundation of the business curriculum. We need a complete re-design of business education to meet 21st century challenges and ensure our shared prosperity.

Meeting this challenge will take bold leadership and the ability to find a credible narrative that works to the advantage of business schools. Will established institutions be responsive and agile enough to change? Or will we see new and disruptive organisations? Perhaps some with a global online reach, like **Ubiquity University**, or will we see more local insurgents make their mark, like the emerging London School for Financial Activism? Perhaps there is a place for both, in a healthy and diverse educational ecosystem?

Mapping out the Sustainable Economic Ecosystem

We have developed an initial map of key change projects and the range of aligned initiatives that we already see around the world (see Change Map image below). Perhaps your work is already represented here? Perhaps it is not? Please do join the conversation online and help add more to our map.

This is just a start. As we have gone to great pains to point out, this agenda is not yet a done deal. It is simply a view of where and how we might need to focus our efforts in order to bring about systemic change. Such change is needed to bring about a new economic system, one that will ensure prosperity and a sustainable future for all.

The actual range of projects will be up to all of us, you included, based on our collaborative efforts in Phase 2 of the Sustainable Economy Project and beyond. But, to take this journey together, we need to go right back to the beginning.

7. Shaping the Future: What Might We Focus On?



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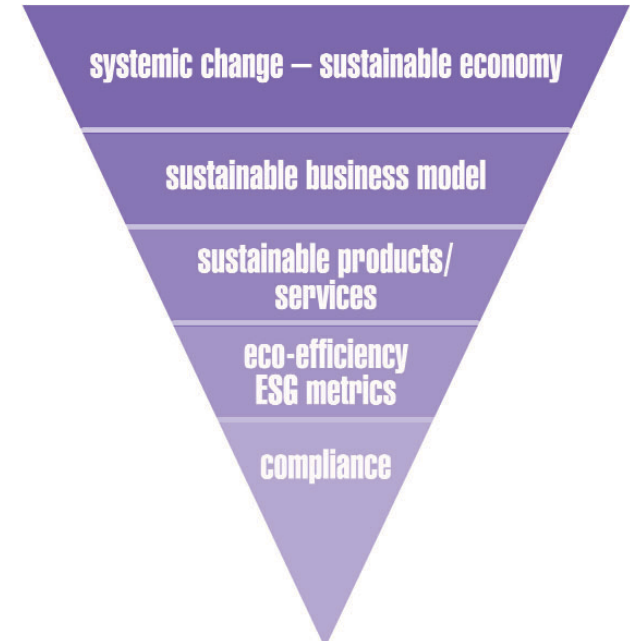
Thinking about Systemic Change

In developing a focus for our energy and potential focal points for key systemic change projects, we asked ourselves the following questions:

- What will best contribute towards realizing our design principles?
- What is needed to bring about genuine systemic change, as opposed to other tactical levels of change?
- What will help us achieve the greatest impact?
- How can we build on and support what is already happening out in the real world?

There are of course many things we could all focus on in terms of business sustainability. We can't focus on everything so we must focus on those ideas and projects that show the most promise for realizing our big picture goals; this is the key to achieving systemic change.

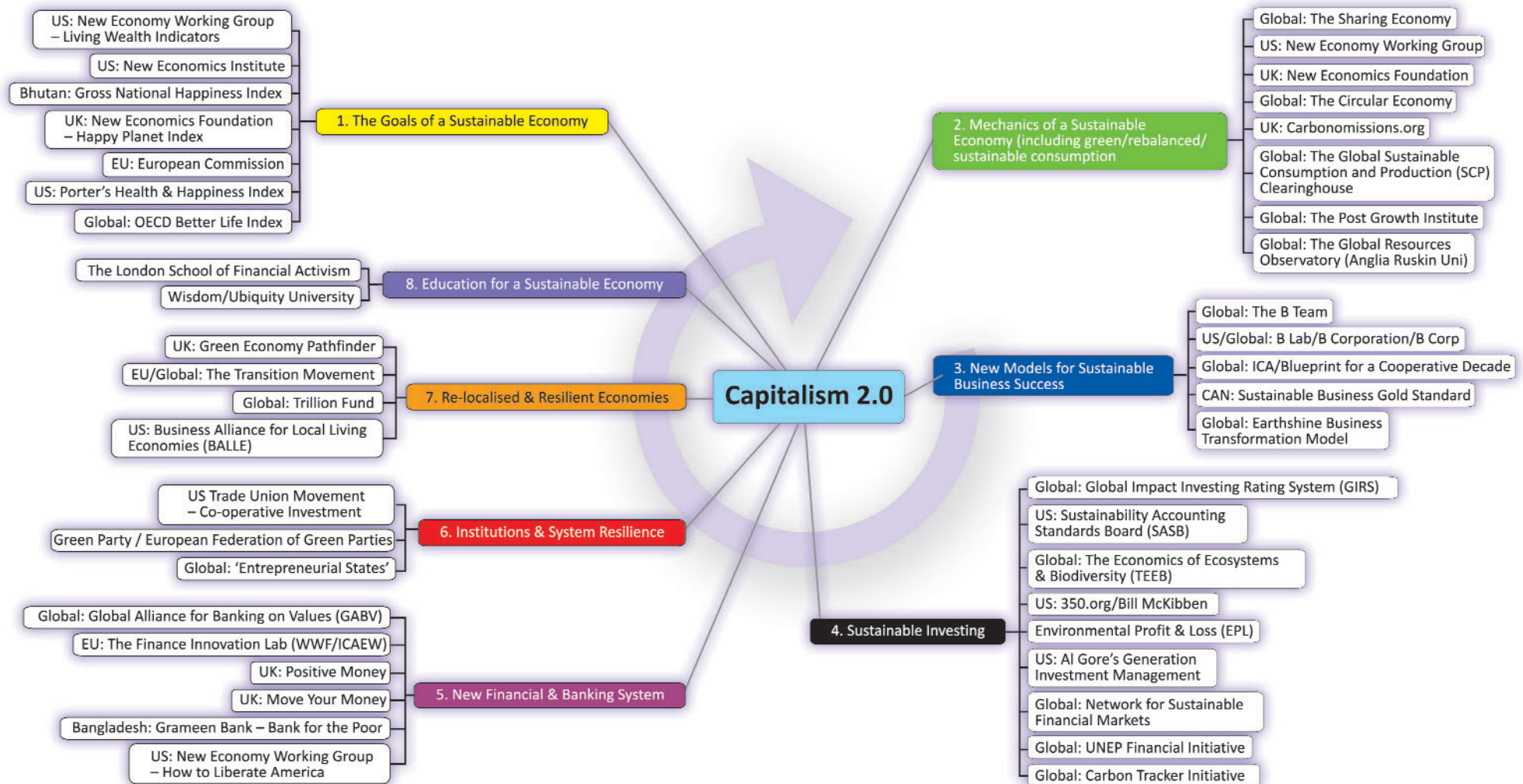
The inverted pyramid illustrates the hierarchy of business and economic sustainability – with the greatest effort and greatest impact experienced with systemic change. While compliance is an important first step for many businesses, compliance alone will never take us to where we need to be. Businesses must move beyond compliance. They must move beyond eco-efficiencies and Environmental/Social/Governance goals and metrics. They must move beyond a focus on sustainable products and services. They must move beyond a simple sustainable business model. We must all move together towards life-changing, business-reinvigorating, planet-saving systemic change; we must all move together towards the Sustainable Economy.





7. Shaping the Future: What Might We Focus On?

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Change Map: Towards the Sustainable Economy – An Alignment of Change Projects Around the World.

There's a lot happening out there – and the more we look, the more we find. Please share with us your own initiatives and others that you know about. Help us complete our Sustainable Economy roadmap, towards a better future.

a business
manifesto
for a
sustainable
economy

section 8

8. Be the Change: Towards a Business Manifesto for a Sustainable Economy



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We started our journey *In Search of CAP2* with the question, *what would it take to make capitalism work better?* But a real and profound shift has occurred through this Project; by the end of the journey the focus is more, *how can a new system be cultured alongside the old one (which we could otherwise never hope to change), and then how could it ultimately take over from the obsolete system?* I think our transition in thinking is an important part of our own learning.

We have developed a Sustainable Economy Business Manifesto that outlines our initial view of key actions that business leaders the world over can focus upon. This Manifesto outlines what business can do to migrate towards a more sustainable economy. As with all ideas in this paper, the Manifesto is a work in progress rather than a rigid prescription, and we look forward to shaping this further, with your input.

The Sustainable Economy Business Manifesto

1. We can embrace the challenge and work through what a more responsible and sustainable form of economy could mean. We will examine the risks and opportunities for our business, our customers, and our suppliers, while never losing our focus on how we create and share genuine value and wealth.
2. In looking at the big picture, we can start developing creative solutions and new business strategies to explore new market possibilities based on truly sustainable value. We can adopt new models of business success, based on outcomes delivered, and real value generated and shared.
3. We can realise the benefits of the circular economy by optimising resources, reducing waste and costs. And we can collaborate with others – sharing waste and resources – through industrial symbiosis strategies.
4. In exploring this challenge, we can find the sweet spot of green economy: new jobs, prosperity and reduced environmental impact. These wins are to be found not just in the clean-tech and green sectors but throughout the economy.
5. In recognising the drivers for more re-localised economies, we can examine opportunities for our business operations and supply chain strategies with the possibility of revitalising regions and communities, further sharing value.

8. Be the Change: Towards a Business Manifesto for a Sustainable Economy



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6. We can review our business models, and seek opportunities to eliminate unnecessary costs. We will maintain our margins by reducing waste and resource expenditures yet spending more money on people thereby emphasising the creation and preservation of good jobs. This will improve the resilience of business and its ability to generate long-term profitability: from waste-to-wages.
7. We can also take the opportunity to move towards shared forms of business ownership with a fair distribution of rewards for the people that truly enable wealth creation.
8. We can engage with all stakeholders, including the investment community to help them through the transition. Our integrated business reporting approaches can help spread awareness of the long-term benefits of sustainable approaches to business.
9. We can use our money wisely, moving it if necessary, to ensure we bank with and invest in appropriate organisations. This is not just an option for disenfranchised individuals – it applies to businesses, too.
10. We can develop new forms of leadership, with vision and courage, to help us look beyond the current system, beyond present-day difficulties, and to take on the real challenge of transformation. We can – and we will – take our business to a better place, another model we have not seen before.

-- We must be the change we want to see --

8. Be the Change: Towards a Business Manifesto for a Sustainable Economy



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I Want to Be the Change – What is My Next Step?

We are planning for, and very much welcome, active participation by all interested parties, from all walks of life, from anywhere in the world.

Here are some of the ways we encourage you to engage with us and *be the change*...

Some Suggested Next Steps...

- Join the **Sustainable Economy** discussion and share your ideas:
 - [Sustainable Economy Project LinkedIn Group](#)
 - [Sustainable Economy Project on Facebook](#)
 - [Sustainable Economy Project on Twitter](#)
 - [TSSS website \(www.tsss.ca\)](http://www.tsss.ca)
- To open yourself up to new ways of thinking and to get into the mood for change, watch the inspirational documentary "**I Am**", by Tom Shadyac <http://iamthedoc.com/>
- Get interactive – You can join our forthcoming online survey of key agenda items – see the above websites for upcoming announcements.
- Add change movements to the Change Map to help us track all the great work that is going on worldwide.
- Future events – Watch our **Sustainable Economy Project** webpage for opportunities to participate in upcoming events and collaborative initiatives.
- Actively start migrating your business and personal activities towards the principles outlined in the Sustainable Economy Manifesto.
- Watch out for the official release of Sustainable Economy Part 2!

further
reading.

section 9



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about
the
authors

section 10



10. About the Authors

Michael Townsend is Founder and CEO of Earthshine Solutions. Michael is an engineering graduate, recovering MBA, writer, speaker, and business transformation leader, with over twenty-five years of experience in a range of sectors.

Michael established Earthshine in 2006 to help organisations deliver sustainable business success by integrating sustainability principles at all levels to impact on the top and bottom lines while supporting the transition to a sustainable and low carbon economy.

Earthshine has been working with organisations large and small across UK, Europe and North America, including: 2-degrees Network, Adnams PLC, Anglia Ruskin University, Aviva, Bloom Centre for Sustainability, DWP, Guardian, Life Technologies, LoyaltyOne, Myrtha Pools, Rough Guides, Sustainable Business Magazine, Triodos Bank and others.

Earthshine is also at the forefront of research and development – improving awareness of best practices and the positive business case for change – through its Global Research Project and The Sustainable Business Lab, which now has members from over 25 different nations.

Michael is also actively involved in campaigning to promote change. Earthshine joined forces this year with TSSS on the Sustainable Economy Project, shaping and promoting a new and sustainable economic paradigm, within which business, people, and planet can thrive and prosper. More recently this collaboration has extended to Sir Richard Branson's B Team – helping to shape and spread a 'Plan B' for business.

Michael is passionate about promoting the benefits of sustainable business and is the author of The Robust Guide to Sustainable Business (2014). Mike has also written regular articles for Sustainable Business magazine, 2-degrees Network, the Guardian and Huffington Post.

Outside the business world, Michael enjoys family life, country living, reading, listening to music, practicing mindfulness, and playing rock drums - but not necessarily in that order!

For more information, please visit the [Earthshine website](#), [facebook page](#), join the online community at: [The Sustainable Business Lab](#), or follow Michael on twitter at [@mike_earthshine](#)



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10. About the Authors

Brad Zarnett is the Founder and Executive Director of the Toronto Sustainability Speaker Series (TSSS). Now in its 6th year, TSSS is widely recognized as Canada's premiere forum for dialogue and problem solving among sustainability professionals.

Each year over 1000 sustainability change agents attend TSSS events to exchange ideas and delve into trends, risks and opportunities that are presented by our shifting business model. These events reach a worldwide audience through Livestream broadcast and real-time twitter chats.

TSSS has grown substantially over the past few years as Brad has developed partnerships with like-minded sustainability professionals. TSSS' Strategic Partners include service providers such as Earthshine Solutions and Realized Worth, news sources such as CSRwire and 3BL Media, and promotional partners such as GLOBE, Sustainable Brands and The Natural Step. Brad has long been an advocate for a collaborative approach to the sustainability challenges that face us as people, business leaders and residents upon this finite planet.

Brad is a results oriented professional who encourages organizations to think strategically about a sustainable approach to business. His passion for environmental issues is matched only by his passion for helping organizations maximize their success through a more sustainable approach to business.

Brad is often considered to be a "tribal" leader in the sustainability movement; he is a connector of people and ideas. Brad has a Masters in Environmental Studies from York University in Toronto and regularly writes and speaks on the topic of corporate sustainability.

Outside the business world, Brad enjoys wilderness canoe journeys, reading, and spending time strolling through Toronto's parks, forests and ravines with his faithful canine companion Kona.

thank you for reading

We sincerely hope you enjoyed our Paper, which we offer freely in the spirit of gift. We also invite you to share this document with your friends, colleagues and other interested parties – to help the flow of peer-to-peer discourse and collaborative action.

Getting a project of this nature off the ground is an enormous task, especially in these cash-constrained times; there are few people and organisations investing in systemic change, despite the urgent and growing need.

And so we are especially proud of what we have managed to achieve thus far. All parties have provided considerable energy and effort, over the last year and more – all without charge – to help enable this independent Project to become a reality, so we can all take a step forward towards realising the vision of a sustainable economy.

But this is just the start of the journey, and there is much more to come; more engagement, more work, and more impact to be delivered. We have some exciting and innovative plans to unveil and share with you in the coming months, as we set off on Part 2 of this life-affirming journey.

Naturally, we will need help in doing this – in terms of the input of further ideas, energy, and finance. Please do get involved, join The Debate, help shape the designs on our forthcoming change projects, build the solutions and become the change!

We are also grateful for your financial support, in helping us to establish a new type of organisation, through which we can facilitate this activity. Please help us build a movement towards a better future – by contributing what you can – and help make this vision for a sustainable economy, a reality. Thank you.

<https://sustainableeconomyproject.nationbuilder.com/contribute>

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