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STATE OF THE WORLD

Transforming Cultures

From Consumerism to Sustainability

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2010

STATE OF THE WORLD

Transforming Cultures

From Consumerism to Sustainability

Advance Praise for *State of the World 2010*:

“If we continue to think of ourselves mostly as consumers, it’s going to be very hard to bring our environmental troubles under control. But it’s also going to be very hard to live the rounded and joyful lives that could be ours. This is a subversive volume in all the best ways!”

—**Bill McKibben**, author of *Deep Economy and The End of Nature*

“Worldwatch has taken on an ambitious agenda in this volume. No generation in history has achieved a cultural transformation as sweeping as the one called for here...it is hard not to be impressed with the book’s boldness.”

—**Muhammad Yunus**, founder of the *Grameen Bank*

“This year’s *State of the World* report is a cultural mindbomb exploding with devastating force. I hope it wakes a few people up.”

—**Kalle Lasn**, Editor of *Adbusters* magazine

Like a tsunami, consumerism has engulfed human cultures and Earth’s ecosystems. Left unaddressed, we risk global disaster. But if we channel this wave, intentionally transforming our cultures to center on sustainability, we will not only prevent catastrophe but may usher in an era of sustainability—one that allows all people to thrive while protecting, even restoring, Earth.

In this year’s *State of the World* report, 50+ renowned researchers and practitioners describe how we can harness the world’s leading institutions—education, the media, business, governments, traditions, and social movements—to reorient cultures toward sustainability.



full image



extreme close-up

Several million pounds of plastic enter the world’s oceans every hour, portrayed on the cover by the 2.4 million bits of plastic that make up *Gyre*, Chris Jordan’s 8- by 11-foot reincarnation of the famous 1820s woodblock print, *The Great Wave Off Kanagawa*, by the Japanese artist Katsushika Hokusai.

For discussion questions, additional essays, video presentations, and event calendar, visit blogs.worldwatch.org/transformingcultures.

Cover image: *Gyre* by Chris Jordan
Cover design: Lyle Rosbotham



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Business and Economy: Management Priorities

Business is not just a central component of the global economy, it is a leading driver of societies, cultures, and even the human imagination. And while today business is primarily shaping a cultural vision centered on consumerism, this vision could as readily be centered on sustainability—given new management priorities.

Priority number one will be to gain a better understanding of what the economy is for and whether perpetual growth is possible or even desirable. As environmentalist and entrepreneur Paul Hawken explains, “At present we are stealing the future, selling it in the present, and calling it gross domestic product. We can just as easily have an economy that is based on healing the future instead of stealing it.”¹

In this section, Robert Costanza, Joshua Farley, and Ida Kubiszewski of the Gund Institute for Ecological Economics first describe how redirecting the global economy is possible through a variety of means such as creating new sustainable economic metrics, expanding the commons sector, and mobilizing leading economic and governmental institutions.

Another key economic shift will be the better distribution of work and working hours among the global workforce, as Juliet Schor of Boston College describes. Right now, many

people work excessive hours earning more money and converting that income into increased consumption—even as others search for work. Dividing work hours in a better way will not only address unemployment and provide more people with the means for a basic standard of living, it will free up time to enjoy life outside of the workplace. And it will reduce the amount of discretionary income people have, which at the moment encourages them to consume more than necessary.

Another priority will be to reassess the role of corporations. Consider their vast power and reach: in 2006, the largest 100 transnational corporations employed 15.4 million people and had sales of \$7 trillion—the equivalent of 15 percent of the gross world product. A sustainable economic system will depend on convincing corporations, through an array of strategies, that conducting business sustainably is their primary fiduciary responsibility.²

Ray Anderson of Interface, Inc., Mona Amodeo of idgroup, and Jim Hartzfeld of InterfaceRAISE note that some corporations have already figured out the importance of a thriving Earth to their business and are working to put sustainability at the heart of their corporate cultures. Understanding how to shift business cultures and finding the resolve to do so will be an essential step in creating a

sustainable economic model.

Beyond the corporate system, there are opportunities to completely reinvent the purpose and design of business, also a key priority. Johanna Mair and Kate Ganly of IESE Business School describe social enterprises that are turning the mission of business upside down. Business does not have to be only or even primarily about profit, but profit can provide a means to finance a broader social mission. Social enterprises worldwide are addressing pressing social problems, from poverty to ecological decline, and are doing so profitably.

Local businesses are also starting to crop up, like pioneer species in disturbed ecosystems. As most corporations fail to respond to increasing concern for social and environmental injustices, people are creating local alternatives—from grocery stores and restaurants to farms and renewable energy utilities. Michael Shuman of the Business Alliance for Living Local Economies notes that these local enterprises can have improved environmental performance, treat workers better, provide healthier and more diverse products, and—in worst-case

scenarios—provide a layer of resilience to global disruptions by being rooted locally. Moreover, the rise of social enterprises and local businesses should provide additional pressure to stimulate change within corporate cultures.

Throughout the section, Boxes describe other sustainable business innovations, such as redesigning manufacturing to be “cradle to cradle,” a new corporate charter that integrates social responsibility directly into the legal code, and a carbon index for the financial market. There is also a Box that examines the absurdity of the concept of infinite economic growth.

Business is a powerful institution that will play a central role in our future—whether that future is an era of sustainability or an age of reacting to accelerating ecological decline. With a combination of reform of current interests and the growth of new socially oriented business models, the global economy can help avert catastrophe and instead usher in a sustainable golden age.

—*Erik Assadourian*

Adapting Institutions for Life in a Full World

Robert Costanza, Joshua Farley, and Ida Kubiszewski

Today's dominant worldviews and institutions emerged during the early Industrial Revolution, when the world was still relatively empty of humans and their built infrastructure. Natural resources were abundant, social settlements were more sparse, and the main limit on improving human well-being was inadequate access to infrastructure and consumer goods.¹

Current ideas about what is desirable and what is possible were forged in this empty-world context. "Cheap" fossil fuels have provided the abundant energy necessary for economic growth and helped societies overcome numerous resource constraints. Fertilizers, pesticides, and mechanized agriculture have allowed humanity to stave off Thomas Malthus's predictions of population collapse. As a result, the world has changed dramatically over the past two centuries. It is now a "full" world, where increasingly complex technologies and institutions, mounting resource constraints, and a decreasing energy return on investment have made human society more brittle—and hence more susceptible to collapse.²

Laws and policies that incorporate the

empty-world vision are legion. The 1872 Mining Act in the United States, for example, was designed to promote minerals mining and economic growth. It did this by essentially giving away the right to mine on public lands while collecting no royalties and requiring no environmental protection. The act is still in force, even though conditions have changed dramatically. The consequence has been massive environmental destruction and a giveaway of public wealth to private interests.³

Today's prevailing worldviews, institutions, and technologies are failing to meet humanity's needs in a rapidly changing world. Climate change, declining oil supplies, biodiversity loss, rising food prices, disease pandemics, ozone depletion, pollution, and the loss of life-sustaining ecosystem services all pose serious threats to humanity. Yet most of these threats were not even imagined when today's worldviews, institutions, and laws were being formed.

All these crises can be traced back to one overarching problem: we have failed to adapt our current socioecological regime from an empty world to a full world.

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Brian Burger

Landscape consumption in British Columbia, Canada: logging roads, clearcuts, and slash piles.

Under Stress in an Increasingly Full World

There are three fundamental reasons why the current regime no longer serves humanity in a full-world context. The first is that unlimited increases in resource and energy use are physically impossible on a finite planet. (See Box 12.) All economic production requires the transformation of raw materials and energy, making these inputs less available to serve as the structural building blocks of the ecosystems that provide life-support services for all species. The global climate crisis is just one example of an ecosystem service—climate regulation—that is being consumed at an unsustainable rate.⁴

The use of fossil fuels not only depletes a nonrenewable resource, it also creates waste emissions that further degrade ecosystem function. But even advances in energy technology cannot create energy out of nothing. While the

development of renewable energy sources is a priority, no currently feasible energy alternative can sustain today's rate of resource-intensive global economic growth.

The second reason why the current regime no longer serves humanity in a full-world context is that unlimited increases in resource and energy use do not continue to increase well-being. Unlimited conventional economic growth (that is, growth in the gross domestic product (GDP)) is not only impossible, it is undesirable. GDP measures marketed income, not welfare. What is really needed is to provide satisfying lives with less economic activity, raw materials, energy, and work required. When GDP rises faster than life satisfaction, this efficiency declines.

The genuine progress indicator (GPI) is one alternative measure of welfare designed to adjust for the inadequacies of GDP, subtracting factors such as the costs of crime and pollution, and adding factors such as the value of household and volunteer work. In the United States, GPI neared its per capita peak in 1975, at a time when per capita GDP was about half what it is today. (See Figure 3.)⁵

Subjective measures of well-being, such as the share of people who consider themselves “very happy,” have also not increased since 1975. Empirical evidence suggests that a return to 1970s per capita consumption levels would not make people worse off but would instead lower resource depletion, energy use, and ecological impacts by half. People would actually be better off because they would have more time and resources to invest in public, non-consumption goods produced by natural and social capital.⁶

The final reason why the current regime no longer serves humanity in a full-world context is that today's institutions are designed to maximize energy and resource use and are poorly adapted to the needs of a full world. Market institutions, for example, enhance economic growth, but they deal well only with pri-

Box 12. The Folly of Infinite Growth on a Finite Planet

Although the climate challenge is receiving a lot of attention these days, the global temperature increase is but a symptom. The planet has a fever, and it is essential to identify the disease in order to prescribe the right medication. Could the real disease be expanding levels of consumption, growing national economies, and ballooning populations?

Nearly 40 years ago, Jay Forrester warned of the challenge of exponential growth and its implications for a finite planet. This challenge can be illustrated by a biological experiment: If the conditions are right, bacteria will double in number every day, filling the surface of a container by the fiftieth day. But the surface will only be half covered on the forty-ninth day. Humanity may already be on its forty-ninth day and—like a bacteria colony—may completely consume its home if it does not somehow change course.

The ecological capacity of Earth is not expanding, while humanity's footprint is. Global ecological capacity was used up more than 20 years ago. Thus industrial economies, to free up resources for Earth to function and allow developing countries to meet their populations' needs, need to contract significantly.

Many economists believe the opposite, however: that the world economy must continue to grow and that a simple, low-consumption life is a threat to the prevailing economic model. Yet John Stuart Mill, the founding father of modern capitalism, would not support that view. He realized that industrial society, by its very nature, could not last for long and that the stable society that must replace it would be a far better place. "I cannot regard," wrote Mill in 1857, "the stationary state of capital and wealth with the unaffected aversion so generally manifested towards it by politicians of the old school."

Economist Kenneth Boulding went even one step further by claiming that gross

national product (GNP) be considered a measure of gross national cost and that people should devote themselves to its minimization. And it has become increasingly clear that GNP does not couple well with actual well-being, as can be seen in measures like the Genuine Progress Indicator and others. The need for a fundamental rethinking of modern economics is perhaps most eloquently put by Paul Hawken, Amory Lovins, and Hunter Lovins in their book *Natural Capitalism*.

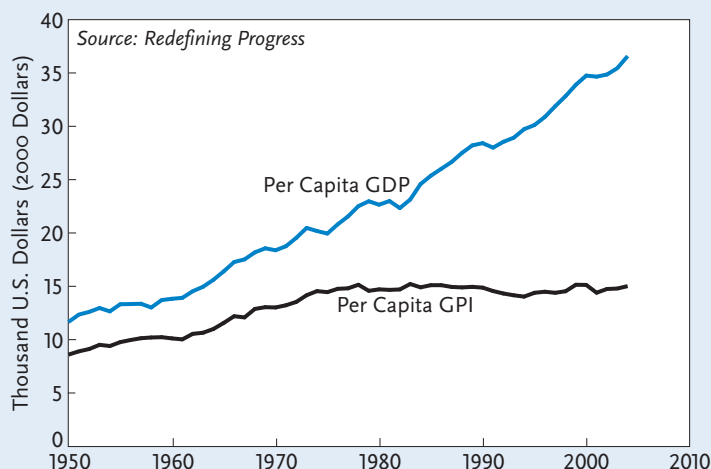
Yet instead of becoming outmoded, the perpetual growth model is now spreading worldwide. From 1958 to 2008 the number of cars increased from 86 million to 620 million. Air passengers skyrocketed from 68 million in 1955 to 2 billion in 2005. The ecological effects of these trends are catastrophic.

The challenge in terms of our fixation on growth is how to get started on a new course. Obviously nobody can expect the Chinese or the Indians to take the initiative on non-growth thinking. At the moment, it looks rather unlikely that any major industrial country will lead the way. But maybe a rich, well-educated country could—a country like Norway or Sweden. With a small population and ample resources, perhaps Scandinavia could lead the way and demonstrate the feasibility of a vision of what the good life in a steady state economy would look like: less hours worked, less stuff, less stress, more time with family and friends, more time for civic engagement, more leisure.

It will not be easy, but it is necessary. It will require a new consumption culture, a new technology culture, and a new intellectual culture—all based on ecological intelligence. In fact, it will demand a fundamental reordering of global priorities.

—Øystein Dahle
Chairman, *Worldwatch Norden*
Source: See endnote 4.

Figure 3. U.S. Gross Domestic Product versus Genuine Progress Indicator, 1950–2004



vate goods and services. They often provide these at the expense of public goods and services—such as education, infrastructure, public health, and ecosystem services—that would most significantly improve quality of life in today’s full-world context. A 1997 study valued worldwide ecosystem services at approximately \$33 trillion, more than the value of the gross world product at that time.⁷

Many governments have long-standing policies that promote growth in market goods at the expense of non-market, public goods that are generated by healthy ecosystems. These policies include the more than \$2 trillion in annual subsidies for market activities and externalities that degrade the environment; the privatization or reduced protection of common (shared) resources, such as forests and fisheries; and inadequate regulation and enforcement of existing regulations against environmental externalities. Perhaps the most serious environmental externality facing the world today is climate change. To solve this “mother of all market failures,” the world needs to deal with the atmosphere as a global common asset, not

privatize it. Continuous material economic growth in wealthier countries is a major cause of this biophysical crisis.⁸

Global climatic stability and ecological resilience are global public goods that require cooperative global solutions, whereas fossil fuels are market goods that promote competition and resource struggles. The transition to sustainability demands new energy sources that are “non-rival,” such as energy from the sun and wind. (For example, U.S. development of cheap and efficient solar power will not limit China’s use of this resource; moreover, China would likely improve the tech-

nology, thus conferring benefits to other users.) Unfortunately, international trade institutions such as the World Trade Organization give priority to private, market goods and services at the expense of public goods. Countries that cannot afford renewable energy technologies will continue to burn coal, preventing the new technologies from helping to address climate change. Open access to information about renewable energy technologies is needed to solve this problem.

Toward a New Sustainable and Desirable Regime

Regime shifts can be driven by collapse or through conscious and integrated changes in worldviews, institutions, and technologies. New goals, rules, and tools can be developed. These changes provide the opportunity to move away from unsustainable practices and to avoid social, economic, and ecological collapse. This section looks at five ideas to stimulate and seed this transition.

Redefine well-being metrics. In today’s

full-world context, the goal of an economy should be to sustainably improve human well-being and quality of life. Material consumption and GDP are merely means to that end, not ends in themselves. Both ancient wisdom and new psychological research confirm that material consumption beyond real need can actually reduce overall well-being by creating an unending and unsatisfying drive for more stuff.

Such a reorientation leads to specific tasks. For a start, efforts should be made to identify what actually contributes to human well-being and include the substantial contributions of natural and social capital, both of which are under increasing stress. It is important to distinguish between real poverty (in terms of low quality of life) and merely low monetary income. Ultimately, it is necessary to identify what the economy actually is and what it is for, and to establish a new model of development that acknowledges today's full-world context. Many efforts are under way to develop better well-being measures, including the GPI, but a global effort is needed to build consensus that will allow these alternative measures to gain broad acceptance and credibility.⁹

Ensure the well-being of populations during the transition. It will be important that any reductions in economic output and consumption that accompany the shift to a new regime fall on those who will be hurt the least—that is, the wealthy. Presently, the U.S. tax code taxes the third wealthiest man in the world, Warren Buffett, at 17.7 percent, while his receptionist is taxed at the average rate of 30 percent. Appropriate monetary policies can enhance employment, moderate the gap in income, restore the natural environment, and invest more in public goods while overall consumption decreases. For example, ecological tax reform could be implemented that would change consumption patterns and tax the wealthy more because they pollute more, while reducing taxes on social security or other ben-

efits, which will benefit those who rely more fully on these payments.¹⁰

Reduce complexity and increase resilience. History offers lessons about the collapse of societies as well as examples of successful adaptation. While environmental factors often contributed to societal declines, it was cultural and institutional resiliency and adaptability that most influenced a society's chances of survival. Resilience depends on cultural values as well as the ability of political, economic, and social institutions to respond.¹¹

Many societies have collapsed due to insufficient resources to sustain their complex structures. The Western Roman Empire, for example, was a thriving, highly complex system as long as increasing resources were available through conquests. But when the limits of conquest were reached, the empire began to tax farmers heavily in an attempt to retain the resource influx, eroding the system's ability to absorb shocks and making it vulnerable to barbarian invasions and other pressures. Maintaining resilience in a full world means shifting the emphasis away from growth and expansion and toward sufficiency and sustainable prosperity.¹²

Expand the "commons sector." During the transition to a new regime, it is important to greatly expand the "commons sector" of the economy, the sector responsible for managing existing common assets and creating new ones. Some assets, such as resources created by nature or by society as a whole, should be held in common because this is more just. Other assets, such as information or ecosystem structures (for example, forests), should be held in common because this is more efficient. Still other assets, such as essential common-pool resources and public goods, should be held in common because this is more sustainable.

One option for expanding and managing the commons sector is to create "common asset trusts" at various scales. Trusts, such as the Alaska Permanent Fund and regional land

trusts, can propertize the commons without privatizing them. At a larger scale, a proposed Earth Atmospheric Trust could help to massively reduce global carbon emissions while also reducing poverty. This system would comprise a global cap-and-trade system for all greenhouse gas emissions (preferable to a tax, because it would set the quantity and allow price to vary); the auctioning of all emission permits before allowing trading among permit holders (to send the right price signals to emitters); and a reduction of the cap over time to stabilize atmospheric greenhouse gas concentrations at a level equivalent to 350 parts per million of carbon dioxide.¹³

The revenues resulting from these efforts would be deposited into the Earth Atmospheric Trust, administered transparently by trustees who serve long terms and have a clear mandate to protect Earth's climate system and atmosphere for the benefit of current and future generations. A designated fraction of the revenues derived from auctioning the permits could then be returned to people throughout the world in the form of a per capita payment. The remainder of the revenues could be used to enhance and restore the atmosphere, invest in social and technological innovations, assist developing countries, and administer the Trust.

Use the Internet to remove communication barriers and improve democracy. Unlike with television and other broadcast media, very low technological and financial barriers exist to establishing a presence on the Internet. This has the effect of decentralizing the production and distribution of information by returning control to the audience, providing a venue for dialogue instead of monologue. Opinions and services that were previously

controlled by small groups or corporations are now shaped by the entire population. Television news networks, sitcoms, and Hollywood productions are being replaced by e-mail, Wikipedia, YouTube, and millions of blogs and forums—all created by the same millions of people who are the audience for the content.

The 2008 U.S. presidential election marked the first election year where more than half of the nation's adult population became involved in the political process by using the Internet as a source of news and information. Rather than simply receiving uni-directional news, approximately one fifth of the people using the Internet used Web sites, blogs, social networking sites, and other forums to discuss, comment, and question issues related to the election.¹⁴

Conclusion

Changes in worldviews, institutions, and technologies will be necessary to achieve lifestyles that are better adapted to today's full-world context. To a certain extent, people can design the future they want by creating a new vision and new goals. If societal goals shift from maximizing growth of the market economy to maximizing sustainable human well-being, different institutions will better serve these goals. It is important to recognize, however, that a transition will occur in any case and that it will almost certainly be driven by crises. Whether these crises lead to decline or collapse followed by ultimate rebuilding or to a relatively smooth transition to a sustainable and desirable future depends on people's ability to anticipate the required changes and to develop new cultures and new institutions.

Sustainable Work Schedules for All

Juliet Schor

Discussions of ecological sustainability typically focus on greenhouse gas emissions, biodiversity, and other measurements of the natural world. They may include economic and social trends in production or population. But they rarely feature time use. Yet patterns of human time use are key drivers of ecological outcomes. People combine time, money, and natural resources to carry out their daily lives and activities. Firms combine time, physical capital, and natural capital to create production. To a great extent, time and natural resources are substitutes for each other: doing things faster usually takes a greater toll on Earth. So time-stressed households and societies tend to have heavier ecological footprints and greater per capita energy use.

In the transition to sustainable cultures and economies, people are going to have to adapt to new schedules and temporal rhythms. The culture of long working hours and excessive busy-ness that characterizes a number of wealthy countries will need to be replaced by more sustainable patterns of time use. While there will be adjustment costs, a slower and more humane pace of life brings social benefits to family, community, and individual well-being.

The Connection Between Productivity, Hours, and Ecological Footprint

Productivity growth is at the core of contemporary market economies. When productivity increases, it is possible to produce a larger quantity of goods and services, or output, with a given level of resources. Productivity can be measured in terms of natural resources such as land—how much crop yield is possible from a given acreage—as well as labor—how many automobiles or garments or computers a worker can produce in any given unit of time. When those measures rise (after taking due account of changes in natural “capital” or natural resource stocks), productivity has grown.

Growth in labor productivity creates a tremendous benefit. It becomes possible to produce a given level of goods and services in a shorter period of time, thereby giving workers more free time away from the job, or to produce more goods and services by keeping working hours constant. How a society manages that “choice,” which all economies with productivity growth have, is crucial to achieving sustainability. If “too much” productivity

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growth goes into additional production, the eco-impact is too high. What constitutes “too much” varies over time, however, and partly depends on trends in technological impact and population. From the standpoint of climate change, for example, it is clear that the world has gone beyond what the planet can tolerate.

In the United States, it looks like “too much” productivity growth has been channeled into additional production. Since the early 1970s, labor productivity has roughly doubled. At that time, Americans worked on average about 1,700 hours a year. (That works out to a 32-hour workweek, as it includes part-timers and full-timers; full-time schedules were closer to the 40-hour norm.) Had Americans opted to put all the bounty of productivity growth into shorter hours, the average work year today would only be 850 hours, or just over 20 hours per week. Instead, the hours worked actually rose, and by 2006 the average schedule topped 1,880 hours a year. In addition, more people are in paid employment, as the United States is increasingly work and market-centered. In 1970, just 57.4 percent of the population was employed. In 2007, before the

recession, the figure had risen to 63 percent.¹

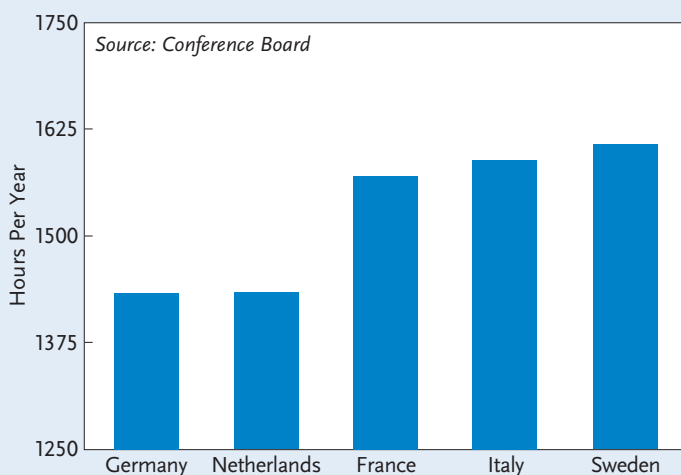
This experience is in stark contrast to earlier U.S. history. In the nineteenth century, hours were grueling, and it is estimated that people worked about 3,000 hours per year—a 60-hour workweek. Beginning in 1870, total hours began to fall, and they continued to fall for decades as a significant portion of productivity growth was used to create leisure time. By 1929, before the Great Depression, work hours had been reduced by more than 600, to 2,342. By the 1970s, at least another 400 hours had been taken off. That 1,000-hour total is the equivalent of half a job, assuming a 40-hour workweek and a 50-week work year. But for a number of reasons—having partly to do with the cost structures facing firms as well as the absence of union pressure to reduce hours—the trend of reduced work hours stalled in the United States in the 1970s.²

In contrast, West Europeans have commonly chosen to use productivity growth to reduce hours of work, with the result that average annual hours of work are much lower. Short schedules do not entail austerity: these are wealthy societies with plenty of material comforts. In case these differences

seem deeply cultural or unbridgeable, it is worth remembering that 50 years ago the United States had much shorter working hours than Europe. Today many Europeans get six-week vacations, additional holidays, and daily work schedules that give them plenty of time for family life, leisure activities, and community participation. (See Figure 4.) Shorter hours are also more common in other parts of the world.³

This lifestyle is far easier on the planet. Studies of the relationship between working hours

Figure 4. Annual Hours of Work in Selected Countries, 2007



and ecological footprint find that as hours rise, so does the environmental impact. This relationship has shown up at the household level, where people who downshift their hours are found to have lower ecological footprints. It is also true across nations. Countries with shorter average working hours have smaller footprints, even controlling for income and other factors.⁴

This is true for several reasons. Most important, long hours typically occur when productivity growth is being channeled into production and consumption, which means more environmental degradation. A second effect is the energy usage associated with commuting. A third is that people who are “time-poor” (that is, they work long hours) tend to make lifestyle choices that are more resource-intensive. Their travel is more carbon-intensive. They eat out more often. In one study, they were found to have larger houses, which in turn used more energy. Time stress also limits engagement in low-impact, time-consuming activities, such as vegetable gardening or Do-It-Yourself projects. A study by the Center for Economic and Policy Research found that if the United States were to shift to West European patterns of time use, energy use there could decline by 20 percent even without changes in technology.⁵

There are also human benefits to working less. Long hours of work are stressful, undermine family functioning and social connections, and cause physical and emotional illnesses. Overworked employees are more likely to be depressed, more likely to experience stress, and less likely to take care of themselves. Excessive work hours also reduce sleep, which in turn erodes health. People who work too much are unable to engage in other activities, primarily social ones, that improve their well-being. And finally, the additional money earned by working more hours yields less ben-

efit than people expect. A growing mountain of research shows that more income has a huge beneficial effect on people in poverty. But once a middle-class income is attained, the additional well-being available from increased income is surprisingly limited.⁶



Library of Congress

A lantern slide of the original Ford Motor Company assembly line in Detroit, Michigan.

The View from Business

Reductions in working hours may be better for people and the planet, but can businesses thrive in an environment of schedule shortening? The historical record suggests yes. The United States and Western Europe have both gone through long periods when hours of work were in decline and economic performance and profits were robust. Starting in 1870, a good portion of productivity growth went to giving people more leisure time, as the grueling schedules of the Industrial Revolution gave way to pressures from the 10- and 8-hour workday movements, the establishment of Sunday and then Saturday as a day of rest, and the emergence of the modern vacation. Far

from undermining economic performance, shorter hours were an integral part of creating strong and profitable economies with healthy middle classes.⁷

health care system, or even if businesses pro-rated medical and other benefits and government helped finance the remainder, shorter hours would be much more cost-effective.

The Road to “Time Affluence”

So if reducing work time is better for the planet, and better for people, shouldn’t society be moving in that direction? Millions of people have already come to that conclusion. For more than a decade, a significant fraction of the American population has been making voluntary lifestyle changes that give them more time off the job. They are shifting to part-time, opting out of paid employment altogether, or changing to positions with less demanding schedules. This “downshifting” trend has helped to ease the extreme stress that characterized U.S. culture in the 1990s and is part of the reason that the escalation of annual hours slowed after its rapid increase in the 1980s and early 1990s. A subset within the downshifting group has taken the lifestyle change farther—embracing voluntary simplicity, a way of living that requires little income and is therefore usually associated with short hours of paid work.⁹

Downshifters report high levels of satisfaction with their new lifestyles, even those who have absorbed significant income reductions. A 2004 national survey by the Center for a New American Dream found that 85 percent of people who reported making lifestyle changes that reduced their incomes were happy about the change.¹⁰

Change is also happening at a more systemic level. Employers in some of the most demanding professions have made it possible to maintain successful careers even working fewer hours than the norm. Flexible arrangements have become more common in law, medicine, and academia, although there are still career penalties, and short hours are less common at the pinnacle of those fields. The changes have



Robert Scoble

A Seagate hard drive factory in Wuxi, China.

A second vantage point is competitiveness, and here the issue is not how many hours each individual person spends on the job but how productively those hours are worked and how they are compensated. If shorter hours come courtesy of productivity growth, that is a trade-off of income for time, and it can be cost-neutral. Across nations, similarly competitive countries have significant divergences in hours of work. Shorter hours can enhance productivity as work intensity rises. Better schedules reduce employee stress and improve retention and morale. Shorter hours can also reduce joblessness, which is now at crisis levels and rising in many places.⁸

In the United States, the major obstacle to hours reduction has been that health insurance is paid per employee, which means it costs employers much less to hire fewer people and work them longer. If there were a single-payer

been the most far-reaching in accountancy. Since the 1990s all the large multinational firms instituted major family-friendly schedules, including fewer days per week, in a bid to retain high-productivity female talent.¹¹

In the aftermath of the financial collapse of 2008, reductions in hours of work have spread throughout the private, public, and nonprofit sectors. Employers have attempted to avoid layoffs by instituting company-wide cutbacks in schedules, furloughs, and other work reduction measures. This ethic of sharing work has not been widely seen in the United States since the 1930s. Since the recession began, average weekly hours in the private economy have fallen by nearly an hour.¹²

Surveys of large employers show that reducing workweeks and mandating furloughs or unpaid work time have become widespread. A Hewitt Associates study of 518 large companies found that 20 percent cut hours. A Towers Perrin study recorded even higher numbers: 40 percent reported they had instituted a furlough and 32 percent, a shorter workweek. High-tech employers in the Pacific Northwest, such as Hewlett-Packard, Siltronic, and Tektronic, have reduced hours and pay (but usually not benefits).¹³

State and local governments have also been changing schedules in order to cut costs. The best-known case is the state of Utah, which switched 17,000 employees to a four-day, 10-hour schedule. Although not technically a cut

in hours of work, it has allowed employees to reduce their commuting time. The change allowed the state to close offices on Fridays, and resulted in a 13-percent reduction in the state's energy costs and a decline in greenhouse gas emissions. Absenteeism and overtime also fell. Employees have been overwhelmingly positive about the change, as 82 percent reportedly want to maintain the compressed workweek even when the recession is over.¹⁴

Other states and cities have instituted furloughs and unpaid leave programs. The city of Atlanta has closed many of its services on Fridays; California has mandated unpaid days off. At the University of California, furloughs of 11–26 days have been introduced. If past recessions are a guide, many workers—particularly those who get a three-day weekend—will adjust to the lower incomes and decide not to resume a five-day schedule.¹⁵

Looking forward, it is increasingly clear that work-time reduction should be high on the sustainability agenda. This will require some policy changes in the United States, especially with health care, to alter the incentive structure facing businesses. It will require some cultural flexibility, to make sure busy-ness and long hours of work are not a status symbol. And consumption-driven competitions will need to be dampened. But if these challenges can be met, the result will be a slower, saner pace of life that is good for people and the planet.

Changing Business Cultures from Within

Ray Anderson, Mona Amodeo, and Jim Hartzfeld

The current Industrial Age was born out of the Enlightenment and the unfolding understanding of humanity's ability to tap the power and expansiveness of nature. The mindset that was developed early in the Age was well adapted to its time, when there were relatively few people and nature seemed limitless. Unfortunately, this mindset is poorly adapted to the current reality of nearly 7 billion people and badly stressed ecosystems. A new, better-adapted worldview and global economy are being born today from a greater understanding of how to thrive within the frail limits of nature.

Vital to the transition of the economy is the very institution that serves as its primary engine: business and industry. To lead this shift, business must delve much deeper than just the array of eco or clean technologies that are in vogue, to the core beliefs that drive actions. While a few visionary companies have been founded on the principles of sustainability, most businesses will require radical change. In the coming decades, business models and mindsets must be fundamentally transformed to sustain companies' value to

their customers, shareholders, and other stakeholders.

More and more organizations are turning to sustainability as a source of competitive advantage. Yet many companies are trapped and frustrated by their limited understanding of this challenge; many see it only as a set of technical problems to solve or a clever marketing campaign to organize. Perhaps the greatest danger is that these superficial approaches give companies a false sense of progress, which in the long run will very likely lead to their demise.

On the other hand, businesses that are willing to address change at the deeper cultural level have the opportunity to embrace a new paradigm built on the values of sustainability. Those willing to lead the way will reap the "first-mover" benefits, while supporting and accelerating the fundamental societal shifts that are becoming increasingly apparent. Every company's sustainability journey will be unique, but a basic road map, using what has been learned from pioneering companies and researchers, can help those that are interested in the journey to travel at a faster pace.¹

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The Need for Transformational Change

At the societal, business, and personal levels, the understanding and adoption of sustainability practices is limited less by technical innovation than by people's inability to challenge outdated mindsets and change cultural norms. Paraphrasing Edwin Land, physicist Amory Lovins has observed that "invention is the sudden cessation of stupidity...[that is,] that people who seem to have had a new idea often have just stopped having an old idea."²

A company's rate of adoption of new ideas, and therefore business opportunities, can be increased significantly by understanding the stages of change and the strategic decisions needed to support the evolving belief systems necessary for culture change. Personal change of this magnitude rarely occurs overnight, and changing an organization is often an even longer process.

Much can be learned from businesses that have moved beyond surface-level change to fully embrace sustainability and in doing so have created deep changes within their organizational culture. Experience suggests that sustainability derives its greatest power and effect in organizations when it is deeply embraced as a set of core values that genuinely integrate economic prosperity, environmental stewardship, and social responsibility: profit, planet, and people.³

To achieve this degree of change, leaders must put forth bold visions—so bold that they take the breath away—and they must engage their organizations in different, deeper conversations about the purpose and responsibility of business to provide true value to both customers and society. Moreover, the whole enterprise must be proactively engaged in such a systemwide way that mental models become explicit, multiple stakeholder perspectives are incorporated into the process, and collective interaction yields new knowledge, structures,

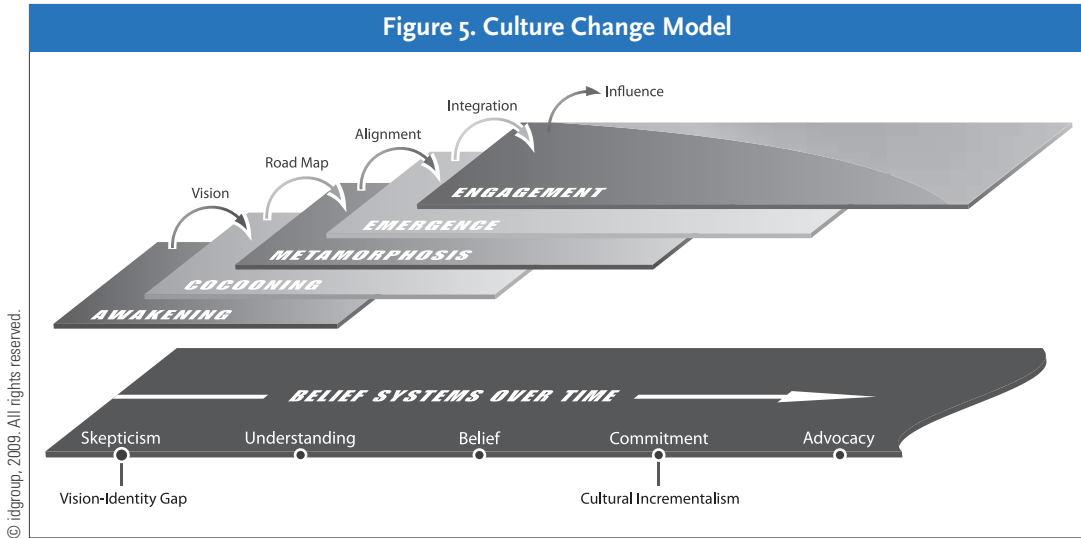
processes, practices, and stories that can drive the organization forward.

When organizations embrace sustainability in this way, it is fully woven into every facet of the enterprise. Sustainability becomes definitional, revealing itself in every decision—a strategic and emotional journey that enhances the entire enterprise. After all, can anyone really make "green" products in a "brown" company?⁴

A Framework for Culture Change

The U.S.-based global carpet manufacturer Interface, Inc. offers a valuable case study of a company that has embraced and achieved transformational change toward sustainability. Interface reports being only about 60 percent of the way toward achieving its Mission Zero 2020 goals, but the company has come far in its 15-year journey to sustainability. It has reduced net greenhouse gas emissions by 71 percent, water intensity by 74 percent, landfill waste by 67 percent, and total energy intensity by 44 percent. It has diverted 175 million pounds of old carpet from landfills, invented new carpet recycling technology, and sold 83 square kilometers of third-party certified, climate-neutral carpet. In the process, Interface has generated substantial business value in its brand and reputation, cost savings of \$405 million, attraction and alignment of talent, and industry-leading product innovation.⁵

Interface's sustainability leadership has been recognized internationally in multiple Globescan surveys of "global sustainability experts," receiving the number one ranking in 2009. But the company's transition was not choreographed in advance. During the first decade of the journey, Interface went through five developmental phases of change, driven by key levers that propelled its progress. (See Figure 5.) Deep changes in the identity, values, and assumptions about "how we do things here" moved the company to a new view of purpose, performance, and profitability within the larger con-



text of environmental and social responsibility.⁶

The Interface model of cultural change represents a journey of the head and heart, facilitated by strategic decisions and deepening connections to the values of sustainability. These interacting factors closed the initial gap between the vision—a future sustainable company—and the actual unsustainable existing company, by incrementally transforming the culture through successive phases along a time continuum. As the company went through the phases of transformative change (awakening, cocooning, metamorphosis, emergence, and engagement), an evolution of belief systems also occurred, moving from skepticism to understanding, belief, commitment, and advocacy. This psychological progression worked in tandem with strategic decisions (vision, road map, alignment, integration, and influence) to create deep culture change.

Over time, the transformation can be envisioned as a dynamic process where new and ongoing connections, relationships, and networks come into being and flourish through an infusion of knowledge, wisdom, and grassroots experience. Early skepticism gives way to understanding as an organization confirms the

validity of the values of sustainability, which in time comes through successes actually experienced. As the collective identity of the organization changes, new behaviors associated with these values are reinforced and become more embedded in the culture. Understanding is augmented by belief and commitment.

New ways of thinking, believing, and doing emerge incrementally as strategic decisions are confirmed, and sustainability becomes fully embraced as “the way we do things around here.” This shifting paradigm produces innovations in technologies, sustainable business practices, and new leadership capacity, as well as a sense of pride, purpose, and commitment on the part of those associated with the organization. Externally, the organization realizes increasingly strong connections and levels of trust with its marketplace.

The Stages of Change

Awakening: defining the vision. To allow change to occur, a company must first be open to sensing and considering aberrant signals that may suggest or uncover new challenges or opportunities. The source of the signal can

be internal or external, subtle or cacophonous. Likewise, a company's awareness of the need to address sustainability can be stimulated in many ways, including inspired leadership, a grassroots internal uprising, a technical or physical challenge, or an unanticipated shock in the cost or availability of key resource inputs. At some point the magnitude of the emerging risks or opportunities become "real" enough to cause the organization to begin to seek more information and direction.

At Interface, the persistent and aggressive voice of a single customer caught the ear of the founder, Ray Anderson. At Walmart, the impetus was inspired leadership stimulated by a barrage of external challenges on multiple fronts. At Nike, it was the outrage sparked by a 1996 *LIFE* magazine article about child labor in Pakistan, which featured a photo of a 12-year-old boy surrounded by Nike-brand soccer balls he had been stitching. Other examples of external stimuli for increased sustainability awareness include Greenpeace's pressure on Electrolux and the Rainforest Action Network's pressure on Mitsubishi.⁷

Once a general direction is suggested, a small group of innovators or "scouts" may explore the magnitude of the problem and what it means to the organization and then propose a potential vision of the future. During this stage, it is important to suspend skepticism and engage the top leadership in a deep and honest exploration of the facets of sustainability—what it means to each person as well as to the organization. Investing the time, energy, and effort in individual and organizational reflection will establish the necessary tension to propel change and determine the level of commitment needed to move forward.

A natural sense of curiosity and the persistent ability to resist the pressures of the dominant paradigms (and existing structures) is important to allow new and unusual signals to penetrate and to overcome the natural response of defending the status quo. At this point, the

leadership makes a go/no-go decision. A clear vision is created, and the process of expanding the engagement of others in the organization begins—with the leadership acting as the messenger, evangelist, teacher, and cheerleader.

At Interface, Ray Anderson was inspired to declare his vision of sustainability for the company after reading the groundbreaking 1993 book *The Ecology of Commerce*, which proposed a culture of business in which the natural world is allowed to flourish. Jeff Mezger, CEO of U.S. home construction company KB Home, recently directed his leadership team to explore what goals and commitments they should make toward sustainability, even in the teeth of the industry's historic downturn. In July 2008, he communicated this vision in the company's first sustainability report.⁸

At Walmart, CEO Lee Scott and members of his leadership team took a year to personally explore, challenge, read, and tour settings around the world, from the ecologically crippled state of Montana described in Jared Diamond's book *Collapse* to cotton fields in Turkey and an Interface carpet mill in Georgia. Only after that year of exploration did Scott announce the company's direction in a landmark speech in October 2005, "21st Century Leadership." Even while stating ambitious goals for Walmart—"to be supplied by 100 percent renewable energy, to create zero waste, and to sell products that sustain our resources and environment"—Scott admitted that he was not sure how to achieve them.⁹

Cocooning: creating the road map. With a vision defined, a company must then determine how to translate the vision into action. In addition to deeper planning and early prototypes, the learning of the awakening phase is taken deeper and shared more widely across the organization and beyond. The result is a road map of action that normally includes goals, timelines, resource allocation, and—most important—metrics.

During this stage, the company is engaged

in activities that further “awaken” people in the organization to sustainability—the problems, challenges, and opportunities—with the view that people will typically only defend and support that which they help build and create. Frequently, an organization’s “whole” cannot be changed until the collective is assembled to work together to shape a new potential future. It is important at this point to tap into the organization’s creative intelligence and its stakeholders through dialogue, collaborative inquiry, community building, and cutting-edge methods of change that support new ways of thinking and transforming.¹⁰

At Interface, Ray Anderson sought to simultaneously engage a wide range of his internal leadership team, who were already associated with the company’s QUEST waste initiative, as well as the most visionary collection of external experts he could find, eventually named the EcoDream Team. Through an intense 18-month process, Interface’s Seven Fronts initiative (later renamed Seven Faces of Mt. Sustainability) was identified and published in the company’s first sustainability report in November 1996. The document laid out the sustainability challenge and proposed solutions in detail, with supporting metrics that outlined an extensive list of everything the company “takes, makes and wastes.”

Nike, following the media storm created by the 1996 *LIFE* article, went rapidly into cocooning with its internal staff and external experts and commissioned various university studies—taking nearly two years to develop a code of conduct for labor and environmental practices. CEO Phil Knight unveiled the code at a widely publicized 1998 speech at the National Press Club in Washington, D.C.¹¹

An extreme example of externally engaged cocooning is Walmart’s Sustainable Value Networks and quarterly Milestone Meetings. Announced in December 2005, Walmart created 14 teams to address major product categories and cross-cutting issues such as waste,

packaging, and transportation. A stunning facet of this period was the extent to which Walmart proactively engaged environmental groups and its suppliers. As evidence of the company’s key words for the era, “collaborate and innovate,” Walmart convened collective learning opportunities for the entire network. One early meeting included 800 attendees and began with Interface’s “Global Village Exercise,” where Ray Anderson and Jim Hartzfeld facilitated an interactive session highlighting global environmental and social conditions. In another meeting, Al Gore appeared at the screening of his film “An Inconvenient Truth,” and U.S. evangelical leader Jim Ball spoke on the alignment of scripture and concern for the environment.¹²

Metamorphosis: aligning the organization. Once a well-defined road map and early prototypes are established, the hard process of driving widespread change in the company begins. As with a caterpillar’s metamorphosis, the process will likely require the creative destruction of entrenched mindsets and processes. Sustainability cannot be a program confined to a specific grouping of staff. Instead, it must be broadly aligned, integrated, and institutionalized into corporate systems, structures, and processes.

This is a period of intense learning and experimentation. During this often messy time, it is important for the leadership to continually and consistently remind the organization of the vision, while at the same time meeting people where they are. Leaders should be prepared to support the push toward new innovations while maintaining a high tolerance for the associated risk of failure. Permission to fail is essential to empowering people to innovate at their best.¹³

Structures and programs that support organizational learning by rewarding and celebrating success will reinforce the organization’s commitment and provide the motivation needed to keep people going. Providing the necessary

resources, both financial and human, is of paramount importance. And while there can be great power in telling the sustainability story to internal and external audiences, it is also critical that the story be authentic—not to let the “talk” get in front of the “walk.” Outspoken commitment serves as a strong reinforcing mechanism for organizational members—a source of pride and pressure. Incorporating the sustainability story into marketing communications programs also creates increased marketplace recognition, trust, and connection.

At Interface, this process extended to all functions and regions of the company, including cascading dialogue with employees about dominant corporate values, as well as incentives and rewards. At Walmart, “metamorphosis” began with the creation in 2007 of the Personal Sustainability Project, designed to eventually engage all 1.8 million employees by connecting the company’s sustainability journey to the personal lives of its employees. Taking it one step further, Walmart created a supplier “packaging” score card that gave clear direction to its more than 60,000 suppliers that the company sought to engage everyone it was connected with, and not just the few early innovators, in its sustainability journey.¹⁴

During this stage, companies often falter after gathering the low-hanging fruit associated with technical changes. But the metamorphosis stage can also reveal the payoff of the “consciousness-raising” work done during the cocooning stage. If individuals in the organization move beyond understanding to belief, the organization will progress beyond minor improvements or adjustments that have little impact on the core of the organization. As a result, new innovations will begin to emerge as members begin to dismantle existing paradigms by asking new questions.

Emergence: ongoing integration. As the metamorphosis reaches critical mass, engaging more people and demonstrating success, the momentum is accelerated by the positive

energy of the process. Early successes drive learning, which stirs further innovation. Good metrics inform positive feedback loops of learn, do, measure, recognize—reinforcing the values and belief systems. At some point, the company’s identity must be fully invested in sustainability, and the associated beliefs and behaviors must become ingrained into the DNA, or cultural assumptions, of the organization. If this level of cultural integration is not achieved, the organization will never really achieve liftoff.

Engagement: influencing others. Even many years into a company’s sustainability journey, engagement is a continuing effort. Each level of success reveals new questions and challenges. This ongoing search for answers spirals to new levels of understanding about what is possible. Relative to the model presented, the stages of the process are continuous and recursive with deeper learning and innovation at every new loop in the spiral.

As an organization becomes more committed to sustainability, educating and influencing others becomes an important part of the change process. This advocacy role is beneficial to both the company and to the larger societal cause. In addition to helping others along in their journey and building the company’s image, additional learning and expanding knowledge come through collaboration and teaching others. Interface, for example, formed a consulting subsidiary, InterfaceRAISE, to help other companies move more quickly up the learning curve and through the phases of their journey. The company also developed an extensive speakers’ bureau consisting of Interface associates for general public and business education.¹⁵

Conclusion

Business and society are in a period of crisis as well as potential. Doing the same things a little differently, better, or faster will not bring about the transformational changes needed

to address today's challenges or grasp new opportunities. The Industrial Age can be supplanted by a new age of evolving human wisdom and emergent innovations, but only if businesses are willing to challenge existing paradigms and proactively discover new answers through collective inspiration. (See Box 13.)¹⁶

Business and industry—the most dominant institutions on the planet in both size and influence—can bring about organizational awakening that can catalyze more sweeping societal change. If business models are

grounded in the values of sustainability, the people who work in those firms will also likely accept and adopt the behaviors associated with sustainability as the “way things are and should be.” This offers business and industry a unique opportunity to accelerate the tipping point needed to correct society's current trajectory. To achieve this shift, companies must explore new worldviews and discard the old flawed views by encouraging personal reflection and new dialogue about the purpose and responsibility of business.

Box 13. Upgrading the Corporate Charter

Many U.S. businesses are redesigning their corporate charters to incorporate the interests of all stakeholders—customers, employees, communities, and the planet—rather than just those of their shareholders. Since 2007 the nonprofit organization B Labs has had a thoroughgoing certification process that identifies and validates precisely these types of businesses as B Corporations (the B stands for “benefit”).

By expanding legal responsibility, B Corporation certification allows businesses to alleviate the pressure to pursue nothing but the exclusively profit-centered “bottom line.” In addition, the designation helps to distinguish the corporations that are truly committed to socially valuable and environmentally sustainable practices from those just wanting to “greenwash” their operations. A B Corporation can also use the rigorous standard by which it is certified to monitor its own sustainability performance—a useful tool for companies that genuinely want to have a positive impact on society and the environment.

In order to be certified as a B Corporation, a company must submit responses to an extensive survey, which is then reviewed by B Labs. The company is subsequently audited in order to validate compliance with the B Ratings System. A minimum passing score of 80 indicates that the organization is eligible for certification, at which point it is obligated to submit a new corporate charter amended with the B Corps Legal Framework.

The B Corporation brand has already certified more than 190 companies spread across 31 industries with revenues totaling over \$1 billion. Although its financial depth is admittedly a drop in the bucket compared with the roughly \$14-trillion U.S. economy, this innovative tool could have lasting impact as corporations strive to reach B Corporation standards and, in so doing, acknowledge their increasing responsibility to pursue social and environmental benefits that extend beyond the traditional constraints of the profit motive.

—Kevin Green and Erik Assadourian

Source: See endnote 16.

Social Entrepreneurs: Innovating Toward Sustainability

Johanna Mair and Kate Ganly

In May 2009, U.S. President Barack Obama announced the creation of a \$50-million Social Innovation Fund and a new White House Office that will coordinate the fund's efforts "to identify the most promising, results-oriented non-profit programs and expand their reach throughout the country." This commitment to supporting and nurturing a diverse range of decentralized alternative solutions to intractable social problems taps a wave of global popularity and public awareness that has been building around the phenomenon of "social entrepreneurship" for several years. Social entrepreneurs use a variety of organizational forms—from social businesses and cooperatives to leveraged nonprofits, hybrids, and pure charities. But they all have one thing in common: the innovative use and combination of resources to pursue opportunities to catalyze social change.¹

Social entrepreneurial initiatives (SEIs) are influenced by local conditions both in the opportunities they have to address a social or environmental need and in the regulatory architecture that affects their form. In Europe, a dominant form of social entrepreneurship deals with work integration for marginalized groups

such as migrants, youth, and the disabled. This has been encouraged by government support in France, Spain, and Portugal, where such initiatives are addressing the persistence of structural unemployment among particular groups. La Fageda, to cite just one example, is a dairy in Catalunya that has a cooperative of 250 employees, 140 of whom suffer from mental illness. In both Italy and the United Kingdom, specific legislation was introduced in 2005 to recognize and foster "social purpose ventures." For instance, the U.K. "community interest company" is a limited liability company designed to operate for community benefit: it has a cap on dividends and individual profits, which ensures that revenues and assets are retained for community purposes.²

A Growing Movement

Social entrepreneurs existed long before they were labeled as such. Since the Grameen Bank and its founder Muhammad Yunus were jointly awarded the Nobel Peace Prize in 2006, however, media coverage of this growing phenomenon and accompanying accolades have made social entrepreneurs highly visible.

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Grameen provided an early model of an SEI when in the late 1970s it started offering credit to the poorest of the poor in rural Bangladesh without the borrowers needing to provide collateral for their loans. The Bank's micro-credit program expanded rapidly, and by mid-2009 nearly 8 million people were receiving loans, 97 percent of whom were women.³

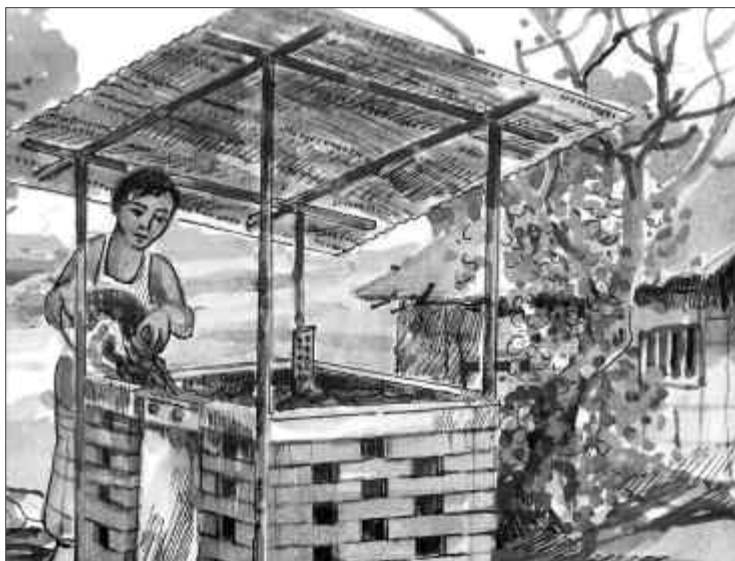
While definitions vary, social entrepreneurship can generally be seen as a label for initiatives that proactively address social or environmental issues through delivery of a product or service that directly or indirectly catalyzes social change. To ensure that change is sustainable, a large part of what social entrepreneurs do is challenge or disrupt existing institutions. As used here, the term institutions includes taken-for-granted collective behaviors such as consumption that dominate daily routines. Excessive consumption, environmentally unsustainable practices, and a culture of individual private gain over shared community or public benefit are just some of the institutionalized behaviors that social entre-

preneurs seek to change. Often these goals are tied up with other, more specific aims.

Reliable comparative data on SEIs are hard to come by, primarily because countries define and recognize social entrepreneurship differently. Italy first created a legal form for "social cooperatives" in 1991; by 2001 there were approximately 7,000 such organizations employing 200,000 workers and benefiting 1.5 million people. As mentioned, the United Kingdom has also championed SEIs: its 2005 Annual Survey of Small Businesses found that 55,000 social enterprises existed with a combined turnover of £27 billion, contributing £8.4 billion per year to the U.K. economy. The United Kingdom is also one of the few countries to measure social entrepreneurial activity as part of the annual Global Entrepreneurship Monitor. Data from 2006 indicate that 3.3 percent of the U.K. population was involved in creating or running an early-stage SEI, while another 1.5 percent ran an established SEI. This represents a significant chunk of the population compared with the figure

for mainstream early-stage entrepreneurship at 5.8 percent. In Japan, where a legal form for nonprofits was introduced in 1999, the number of SEIs grew from 1,176 in that year to over 30,000 in 2008. This sector contributed approximately 10 trillion yen to the economy in 2005, accounting for 1.5 percent of Japan's gross domestic product.⁴

The origin of the phrase "social entrepreneur" can be traced to Bill Drayton, a former business management consultant who in 1980 set up Ashoka, the first foundation to support and fund such individuals. Today Ashoka has over 2,000 "fellows" in more than



Courtesy of Waste Concern

An illustration from a Waste Concern poster promoting rural waste composting technology.

60 countries and continues to expand. Other important global support organizations include the Schwab Foundation, which invites fellows to attend the World Economic Forum in Davos, and the Skoll Foundation, which also holds an annual world forum. The latter was set up by eBay founder Jeff Skoll, one of a group of high-profile “new philanthropists” funding SEIs—a group that includes Bill Gates and George Soros.⁵

Indeed, the number of venture philanthropy organizations and investment vehicles is rapidly increasing. They include everything from the Acumen Fund (launched in 2001 with seed capital from the Rockefeller Foundation and Cisco Systems), which now has hundreds of investor partners—from companies to individuals—to online platforms such as Global Giving, which lets individuals invest in small projects of selected social change organizations located anywhere in the world.⁶

The popularity of social entrepreneurship is also apparent in academia, as evidenced by the growing number of research centers, publications, international conferences, dedicated faculty appointments, and student demand for courses. But perhaps the biggest boost for social entrepreneurship has been endorsement from celebrities, business leaders, and political leaders such as President Obama. This kind of support has stimulated popular interest and generated broad exposure for social entrepreneurship, setting it well on the path to become a defining trend of the twenty-first century.

Challenging What Is Taken for Granted

One of the most powerful ways that social entrepreneurs are able to bring about change is by challenging accepted ways of doing things and demonstrating alternatives. (See Box 14 on recent challenges to design principles.) In Egypt, for example, the SEI Sekem challenged

the automatic acceptance that desert land far from the Nile could not be made fertile, and it overturned conventional thinking about the necessity of chemical pesticides. Founded by Ibrahim Abouleish in 1977 with the intention to “heal the land and its people,” today Sekem is a multi-business company with more than 2,000 employees; it encompasses seven for-profit companies producing organic food products, cotton, textiles, and medicinal herbs and includes a range of nonprofit entities—from education and health facilities for its staff and their families to a research and development institute and a university.⁷

Similarly, Waste Concern in Bangladesh proved that Dhaka’s waste problem could be turned into a resource by taking a radical new approach to waste processing and collection. The founders set up small-scale composting plants that employed waste-pickers to collect and process the compost. Instead of burning or flaring solid waste, they created fertilizer from organic and enriched compost, which reduced pollution while creating jobs.⁸

In Thailand, the Population and Community Development Association (PDA) challenged traditional attitudes to sex and contraception. In addition to training rural women to sell birth control pills and condoms, PDA used humor—such as through the creation of a restaurant chain called “Cabbages and Condoms” and “Miss Condom” competitions in Bangkok’s notorious red-light district—to create a proactive awareness to help limit an exploding population and, later, to halt the spread of HIV.⁹

An important contribution of social entrepreneurs that is related to challenging what is taken for granted involves demonstrating “proof of concept”—that is, showing how new approaches and ideas can actually work. SEIs often create new markets, opening up a space for customers and competitors and fostering supply and demand. In this respect, social entrepreneurs are path breakers, paving

Box 14. Cradle to Cradle: Adapting Production to Nature's Model

Many of today's business strategies fall short of a model that truly sustains planetary systems. Instead, most responses to these challenges seek to limit the impact of human activity by minimizing pollution and waste—focusing on being more “eco-efficient” instead of being “eco-effective.”

But there is another way. We often say that design is the first signal of human intention, which raises the question: what are our intentions? Do we intend to create things that have only positive effects? Or just fewer negative ones?

Imagine buildings, neighborhoods, transportation systems, factories, and parks all designed to enhance economic, environmental, and social health—that reach beyond sustainability to enrich lives. To help realize this vision, production can be based on three key operating principles of the natural world that allow business to apply the intelligence of natural systems to human artifice.

Waste equals food. In nature, the processes of every organism contribute to the health of the whole. One organism's waste becomes food for another, and nutrients flow perpetually in regenerative, cradle-to-cradle cycles of birth, death, decay, and rebirth. Design modeled on these virtuous cycles eliminates the very concept of waste: products and materials can be designed of components that return either to soil as a nutrient or to industry for remanufacture at the same or even a higher level of quality.

Use current solar income. Nature's cradle-to-cradle cycles are powered by the energy of the sun. Trees and plants manufacture food from sunlight—an elegant, effective system that uses Earth's only perpetual source of energy income. The wind, a thermal flow fueled by sunlight, can be tapped and along with direct solar collection can generate

enough power to meet the energy needs of entire cities, regions, and nations. Developing wind and solar power transforms the energy infrastructure, reconnects rural areas to cities through the cooperative exchange of energy and technology, and can one day end the reliance on fossil fuels.

Celebrate diversity. Healthy ecosystems are complex communities of living things, each of which has developed a unique response to its surroundings that works in concert with other organisms to sustain the system. Each organism fits in its place, and in each system the most fitting survive. Abundant diversity is the source of an ecosystem's strength and resilience. Businesses can celebrate the diversity of regional landscapes and cultures and grow ever more effective as they do so.

With these three principles in mind, businesses participate ever more creatively with nature. They harvest the energy of the sun and capture rain. Food and materials grown in the countryside, using implements and technology created in the city, are absorbed by the urban body and returned to their source as a form of waste that can replenish the system. Thus, human settlements and the natural world flourish side by side.

The goal of cradle-to-cradle design is a delightfully diverse, safe, healthy, and just world, with clean air, water, soil, and power—economically, equitably, ecologically, and elegantly enjoyed. In the end, the success of our efforts will be measured against how we have answered what we have found to be the fundamental question: how do we love all the children, of all species, for all time?

—William McDonough and
Michael Braungart

McDonough Braungart Design Chemistry
Source: See endnote 7.

the way toward a more sustainable and humane future.

Sekem, for example, pioneered organic agriculture in Egypt and demonstrated that cotton, a major crop, could be successfully grown without pesticides—an innovation later instituted by the Egyptian government, thereby eliminating the spraying of 30,000 tons of chemicals annually. In Bangladesh, Waste Concern developed a method of organic composting that produced a rich fertilizer and applied it to the vast problem of Dhaka's solid waste buildup. Yet in developing a solution to one problem the founders managed to address another: the issue of Bangladesh's soil degradation due to the overuse of chemical fertilizers. Not only did Waste Concern's actions create a market for organic fertilizer, they led the company to become a leader in carbon trading through the Clean Development Mechanism set up under the Kyoto Protocol and a role model for U.N. projects. (See Box 15 for another innovation on carbon regulation.)¹⁰

While innovations in technology, energy, and industry are important, it is the more difficult and elusive collective changes in behavior and thinking that may have the biggest impact in the transition to sustainability. It is important to understand that this is an interconnected and globalized world, but that real and sustainable behavioral change often happens locally and painstakingly slowly. Social entrepreneurs have an important role to play in initiating such changes by challenging the taken-for-granted assumptions and the institutionalized behaviors that contribute to maintaining the status quo.

SEIs that specifically address the issue of conscious consumption are being seen more often. One example is the fair trade movement. Small handicraft fair trade outfits have existed in the United States and the United Kingdom for more than 50 years, but it has been SEIs such as Transfair USA, founded in 1998, that helped establish fair trade labels

for a much wider range of products. And Rugmark, founded in 1994, combines a campaign to end child labor with certification for ethically produced rugs. These groups and the many SEIs promoting and supporting organic coffee producers, poor country artisans, and the like have made social entrepreneurship a global commercial phenomenon. These organizations are helping people question what, why, and how they consume and consider the repercussions of their collective actions.¹¹

These and other initiatives that recognize a global need to source products in ways that sustain communities and the environment have often been initiated and driven forward by SEIs in the West, but they are now spreading to the East and global South. While the governments and indeed large companies in many affluent countries have begun to respond to this need, it has remained a gap in the system to be exploited by social entrepreneurs in many other places. In Latin America there is a new wave of initiatives mobilizing consumers to use their purchasing power to influence business practices for more responsible consumption. El Poder de Consumidor in Mexico, Interrupcion in Argentina, and the Akatu Institute for Conscious Consumption in Brazil are just some of these. Poland experienced the consequences of rapidly advancing consumerism after the fall of socialism: massive amounts of waste and terrible pollution were problems that people had no models for dealing with as they were used to such issues being addressed by a central authority. Several Polish social entrepreneurs sprang up to deal with this and other specific problems caused by the transition.¹²

Local Efforts Have Global Impacts

Although most SEIs initially develop in response to quite local issues, today the repercussions of their actions cannot be isolated because they are linked globally. One of the

Box 15. A Carbon Index for the Financial Market

The World Federation of Exchanges reports that in 2008, more than \$113 trillion in stocks, futures, and options was traded on its 51 publicly regulated exchanges. The 46,000 or so listed companies had a total market capitalization of more than \$33 trillion. Meanwhile, the world derivatives market—including both over-the-counter and exchange-traded derivatives—has been estimated at some \$791 trillion, 11 times the size of the world economy.

Most of the world's financial capital is traded with no carbon regulation, causing a "free flow" of carbon dioxide into the global economy. Shares, or units of ownership in a corporation, can propel or mitigate greenhouse gas emissions. Adoption of a Carbon Index for the stock market—and for financial markets as a whole—would broaden the transparency of the global finance system, disclose the carbon footprints of corporations and investors, and create a new platform for decarbonization in financial markets, aligning the financial industry with the low-carbon economy. A complementary DCarb Index could measure the level of decarbonization, shaping standards for low-carbon financial flows.

Positive signs of change are emerging in the exchange markets. The Dow Jones Sustainability Indexes, launched in 1999, track the financial performance of leading sustainability-driven companies worldwide, providing objective benchmarks for managing sustainability portfolios. And in June 2009, NASDAQ OMX Group, Inc. and CRD Analytics introduced a Global Sustainability 50 Index that enables investors to track the top 50 companies in sustainability reporting—disclosing information such as their carbon footprints and workforce diversity.

In March 2009, Standard & Poor's introduced the S&P U.S. Carbon Efficient Index, a subset of companies listed on the S&P 500 that have a relatively low carbon foot-

print (calculated as annual emissions divided by revenue). According to Standard & Poor's, the average annual carbon footprint of companies listed on the index through 2008 was 48 percent lower than that of the S&P 500.

To provide guidance for low-carbon policy decisions, the U.S. Environmental Protection Agency (EPA) has proposed mandatory reporting of greenhouse gas emissions from large sources in the United States. Suppliers of fossil fuels or of industrial greenhouse gases, manufacturers of vehicles and engines, and facilities that release 25,000 tons or more per year of emissions would need to submit annual reports to the EPA. Compiled, this information would inform investors of both "high" and "low" carbon tendencies by company or sector, orienting large quantities of capital toward sustainability.

Expanded more widely, the use of Carbon Indexes could lead to greater protection of the economy's natural support systems. For example, development of an Amazon STOXX Index, based on the Dow Jones STOXX Index, could help build investment knowledge for profitable eco-oriented businesses to conserve the world's largest tropical forest. Brazil's BM&FBOVESPA, the second largest exchange operator in the Americas by market value, has the opportunity to support these low-carbon businesses—attracting investors and promoting economically, socially, and environmentally integrated profits.

With such initiatives, the "low-carb" market, a symbol of the new eco-economy, can compete with high-carbon initiatives, stimulating greener investments. Because of its clout, the global financial market is one of the strongest and most flexible tools to build a low-carbon, sustainable economy.

—Eduardo Athayde
Worldwatch Institute publisher, Brazil
Source: See endnote 10.

strongest links is financial: the amount of venture philanthropy money available in North America, Europe, and Japan to be invested in poorer parts of the world is large and growing. The World Bank Institute, for example, estimated that private net capital flows to developing countries in 2007 totaled \$590 billion.¹³

Social entrepreneurs are setting trends and sparking movements that are spreading across the world. These could have far-reaching effects in different locations and future scenarios. Efforts of SEIs in industrial countries to help people consume less, use energy more efficiently, and limit environmental damage could provide valuable lessons for developing countries with burgeoning consumer classes, massive urbanization, and potentially huge environmental problems. At the same time, innovative and low-cost responses to the lack of resources at the grassroots in developing countries are providing appropriate technology solutions (such as solar lighting for villages that have never been electrified or biogas plants using cow or pig manure) that may be valuable in industrial countries still battling consumption-related problems.

What is most important about social entrepreneurs, wherever they operate, is that they challenge existing rules and institutions and create innovative vehicles to achieve their social goals. These may end up directly provoking markets through competition or providing alternatives, or they may indirectly put pressure on industries by creating awareness and stimulating behavioral and attitude change. Achieving this kind of change is a long and bumpy road, but one of the most distinctive characteristics of social entrepreneurs is persistence. The challenge remains extending the adoption of these ideas across both the public and the private sector and throughout society so that they do not become isolated



Courtesy of Dawn Stairn

Art created with out-of-date condoms and birth control pills raises awareness at the Bangkok restaurant Cabbages and Condoms.

efforts but penetrate all economic, social, and political domains.

Recent events have highlighted the need to create a balance between economic growth—which is irrevocably tied to enrichment and consumption but also to a better quality of life and human development—and an approach to markets and governance that is based on ethical needs and that recognizes global interlinkages and inequalities. The good news is that the momentum for social entrepreneurship has never been greater and the timing never better to shock the world into collective cultural change.

Relocalizing Business

Michael H. Shuman

To see what a “culture of sustainability” might really look like, pay a visit to Bellingham, Washington, recently named by the Natural Resources Defense Council as the #1 “Smarter” small city in the United States. This coastal town two hours north of Seattle has pioneered an economic development strategy that is radically different from the traditional preoccupation with attracting and retaining global businesses. Thanks to the leadership of a nonprofit called Sustainable Connections, Bellingham has focused on nurturing its local businesses and organizing them into a powerful collaborative network to rebuild the community economy from the ground up.¹

Here is some of what Sustainable Connections has accomplished in less than a decade. Its Local First campaign—now widely copied around the United States and Canada—uses festivals, store signs, posters, advertisements, and coupon books to motivate residents to buy local. An independent survey by Applied Research Northwest found that 69 percent of Bellingham consumers are now paying attention to the local character of businesses, 58 percent have begun localizing their purchasing habits, and business proprietors regard Local

First as one of the most compelling reasons they are thriving. Sustainable Connection’s energy program has mobilized 1 in 10 residents to buy local “green power”—the second highest percentage in the United States. The number of farmers in surrounding Whatcom County marketing directly to consumers increased 44 percent between 2002 and 2007, twice the state-wide rate. The value of direct sales—a key strategy for boosting farmers’ income—has increased 125 percent over the same period, quintuple the state rate.²

Bellingham is among a growing number of communities worldwide that see their future sustainability and prosperity grounded in local businesses. The Business Alliance for Local Living Economies (BALLE) has more than 70 member communities in North America. Another 50 or so communities are affiliated with the American Independent Business Alliance. Internationally, more than a thousand communities are beginning to undertake similar work through organizations like Transition Towns and Post-Carbon Futures.³

As these organizations see it, local business has two meanings. One is ownership. In a locally owned business, more than half the

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owners live where the firm operates. By this definition, local ownership actually characterizes the vast majority of sole proprietorships, partnerships, nonprofits, cooperatives, and public-private partnerships operating in the world. Even most privately held corporations are local. Really, the only kind of business clearly not local is a publicly traded company. The other meaning of local is the proximity of its stakeholders, like suppliers and consumers. Because locally owned businesses tend to give priority to using local labor, land, and capital and producing goods and services for local markets, these two concepts are inherently intertwined.

In an era of globalization, it is easy to forget that local businesses actually have been the economic norm for most of human history and, contrary to public perceptions, continue to account for most of the world's economy today. One distinguishing feature of very poor countries is that a large percentage of the population is engaged in subsistence agriculture—that is, local farming. As countries develop, farm families migrate to the cities for industrial jobs. But vast numbers remain jobless or underemployed and effectively wind up as microentrepreneurs in the informal sector. Even in an advanced industrial economy like the United States, roughly half the economy in terms of jobs and output comes from self-employed individuals or from small or medium-sized enterprises, nearly all of which are locally owned.⁴

So localization is neither new nor uncommon. But awareness of its potential power in promoting sustainability and prosperity is.

Localization and Sustainability

For a generation, “sustainability” has been defined as meeting this generation's needs without compromising the ability of future generations to meet their own needs. There is a growing appreciation, however, that this def-

inition can be improved with a more nuanced understanding of place: a community should meet its current needs, present or future, without compromising the ability to meet the needs of future generations living in other communities, present or future. This new definition highlights the importance of every community maximizing its level of self-reliance, presumably through a diverse assortment of businesses behaving in a sustainable fashion. Localization, of course, does not guarantee sustainable behavior, but it increases its likelihood in at least four ways.⁵

First, an economy highly dependent on non-local businesses must continually make sustainability compromises to prevent its most important firms from exiting. For example, the state of Maryland is highly dependent on a poultry industry (dominated by two companies, Tyson and Perdue) that continually threatens to move to more “business-friendly” jurisdictions like Arkansas and Mississippi. Despite its impressive performance in other categories of sustainability like smart growth, the state has found it politically impossible to regulate the poultry industry's practice of dumping more than a billion pounds of manure into the Chesapeake Bay, the largest estuary in North America. Were the Maryland economy made up of locally owned businesses, officials could raise environmental standards with confidence that its enterprises would adapt rather than flee.⁶

The absence of local ownership means that non-local corporations can dictate the terms of sustainability in the communities in which they operate. Their ability to leave a community in a heartbeat means they can more easily leave environmental problems behind. The expansion strategy of Walmart, the largest chain retailer in the world, has included closing older stores (and resisting resale to competitors) while opening new superstores only a few miles away. As a result, some 350 empty Walmarts across the United States are causing

serious environmental problems from runoff, flooding, and urban blight.⁷

Second, the presence of local business owners in a community can lead to greater environmental responsibility through accountability. A business owner can be shamed into thinking twice about polluting freely, for example, if the victims are attending the same church or going to the same schools. The responsibility that local owners feel to their own neighborhoods helps explain why U.S. locally owned businesses have been found to give 2.5 times as much money to local charities per employee as non-local businesses do.⁸



Courtesy Bellingham Farmers Market

Local farmers offer up their mixed greens at the Bellingham Farmers Market.

Third, because local businesses tend to use local materials and sell to local markets, their inputs and outputs require less shipping, con-

sume less energy, and emit fewer pollutants, including greenhouse gases (GHGs). To be sure, a number of studies have argued that local food does not always minimize carbon emissions. Alaskans, for example, might find that growing bananas in their own greenhouses is more energy-intensive than transporting bananas from Guatemala.⁹

But the most widely publicized of these studies actually prove very little. For example, one report suggested that U.K. residents eating local lamb generated four times as many GHGs as they would have had they imported New Zealand lamb. But the study, whose funding by the New Zealand lamb export association went unnoticed, only compared energy-intensive, industrial-agriculture methods in the two countries, and it never even examined the GHG impacts of local production.¹⁰

Finally, every profitable green small-business model provides an invaluable jigsaw piece to the global puzzle of sustainability. A low-cost, Internet-based food distribution system—such as the Oklahoma Food Coop—can offer communities everywhere a model for greater food self-reliance. A successful local wind project, such as the subdivision-owned windmills in Hepburn Shire, just outside Melbourne, Australia, can help thousands of other windy communities worldwide see how to achieve energy self-reliance. According to localization advocates, a key to global sustainability and poverty alleviation (alongside Fair Trade and technology transfer programs) might be open-source platforms that spread without charge, particularly to poorer communities, start-of-the-art business models, technologies, and practices.¹¹

Localization and Prosperity

The sustainability impacts of localization would be interesting but ultimately unconvincing if local businesses turned out to have few economic benefits for a community. In fact, a

growing body of evidence suggests that localization, done properly, can increase prosperity for three reasons.

First, the immobility of local businesses means that economic development efforts focused on them are more likely to produce enduring results. An investigative report on the cost effectiveness of tax abatements in Lane County, Oregon, found that 95 percent of the tax abatement dollars given between 1990 and 2002 had gone to six non-local companies—three of which came, took the benefits, and then shut down and moved elsewhere. The rest went to about a hundred local companies. The public cost to the region of a non-local job, in tax-abatement terms, was about \$23,800. The comparable cost of a local job was \$2,100—the same per-job cost reported by several microenterprise organizations in the western United States. Thus non-local jobs were more than 10 times costlier. On a long-term, net jobs basis (taking into account the big firms' departures), non-local jobs were 33 times more expensive.¹²

Second, a local business tends to generate a higher economic multiplier than a comparable non-local business. In the summer of 2003, for instance, two economists studied the impact of a proposed Borders bookstore in Austin, Texas, compared with two local bookstores. They found that \$100 spent at Borders would circulate \$13 in the Austin economy, while \$100 spent at the two local bookstores would circulate \$45—translating to three times the jobs, earnings, and tax collections.¹³

Many other studies in the United States and the United Kingdom all point in the same direction, and for an obvious reason: local businesses spend more of their money locally. Unlike a chain book store, for example, a local bookstore has local management, uses local business services, advertises locally, and enjoys a stream of local profits.¹⁴

Third, the uniqueness of a local business fits hand-in-glove with other theories of eco-

nomics development. For example, a community rich in local business creation attracts and retains entrepreneurs and entrepreneurial young people. As Richard Florida of the Creative Class Group argues, such “creative economies” succeed because they are tolerant, diverse, and fun, and in the end such economies depend on the ability to seed and expand local businesses.¹⁵

Most economists and economic developers are only dimly aware of these findings, since they are based on new studies and theories. But even as these ideas spread, resistance will run deep, because most economic developers know they will get more press, political kudos, and budgetary rewards for a single big-business deal creating 1,000 jobs than for 100 deals that each create 10 jobs. From an economic standpoint, however, the jury has returned with a clear and convincing verdict: locally owned businesses are significantly better bets for income, wealth, and jobs.

Localization and Efficiency

Skeptics of localization continue to assert that local businesses simply have poorer, more expensive goods and services that cannot possibly achieve the higher economies of scale inherent in global businesses. Yet at some point increasing scale brings diminishing returns and poorer performance. The recent global financial meltdown is a poignant reminder that many global corporations, not to mention the global financial institutions that have been their enablers, carry many more risks than people ever appreciated. In fact, what is becoming clear is that the global scale of business carries many profound dis-economies.

For example, even when nonlocal production can bring down costs by siting a factory in a jurisdiction with low-wage labor and high-pollution technologies, long-distance distribution is becoming increasingly inefficient. Consider food. Economist Stewart Smith of the Uni-

versity of Maine estimates that \$1 spent on a typical U.S. foodstuff item in 1900 wound up yielding 40¢ for the farmer, with the other 60¢ split between inputs and distribution. Today, about 7¢ of every retail food dollar goes to the farmer, rancher, or grower, while 73¢ goes to distribution. Whenever the distribution costs tower over the production costs, there are huge opportunities for cost-effective localization. Food localization reduces the need for and expense of many components of distribution, such as refrigeration, packaging, advertising, and third parties. And as oil and energy prices rise in the years ahead, distributional inefficiencies like these will increase, opening up new opportunities for localization.¹⁶

Other trends also are making local businesses more competitive. For 50 years consumers in industrial countries have been shifting their expenditures from goods to services, which fuels localization because local services, where providers and clients have face-to-face relationships, have always been highly competitive. Homeland security concerns are nudging officials to promote self-reliance in commodities like food and energy. While the spread of the Internet is not unambiguously positive for localization (mass retailers like Amazon and eBay could not exist without it), it ultimately levels the playing field by providing local competitors with a low-cost tool for marketing themselves.

Even without these trends, small-scale businesses are already competitive in almost every business category. The North American Industrial Classification System, an important database produced by the U.S. Census Bureau, contains 1,100 such categories, and there are more small businesses—nearly all of which are locally owned—than large ones in all but 7 of them. The point is that even in very small communities, a smart economic developer can find exciting examples of small-scale success in almost every industry and replicate them.¹⁷

Fulfilling the Market Potential

Despite the market potential for more localization, formidable barriers stand in the way. Consumers are deluged with billions of dollars of global advertising and are often unaware of competitive local goods and services. Small-business owners—distrustful of their local competitors and overwhelmed by the daily work of keeping their firms alive—fail to forge natural business partnerships that might otherwise be beneficial. Investors are deterred from putting their money into profitable local businesses by obsolete security laws that make it unreasonably expensive. And public policymakers worldwide, despite all their positive rhetoric about small business, seem unable to break their addiction to subsidizing global businesses. The localization movement aims to dismantle these barriers.

To help consumers find and buy competitive local goods and services, Local First campaigns, like the one in Bellingham, are providing information about which businesses and products are in fact local and what their prices and quality are compared with the global competition. These initiatives are also nudging consumers to buy local through myriad tools. Local coupon books provide consumers with introductory discounts to local business. Local debit, credit, gift, and loyalty cards reward local purchases. Local barter and money systems induce participating consumers to use their credits exclusively with local businesses.¹⁸

To improve the competitive practices of local businesses, alliances like the Sustainable Business Network of Greater Philadelphia (a BALLE affiliate) are organizing conferences where they can showcase best business practices in everything from marketing strategy to energy-reduction technologies. Peer networks, especially those organized by sector (food, energy, retail, and so forth), are helping local businesses improve their competitiveness. Local businesses are learning that by working

together, they can achieve most of the economies of larger scale that might otherwise give some global businesses a competitive advantage. Tucson Originals in Arizona, for example, enables participating local-food businesses to improve their bottom line through joint procurement and marketing.¹⁹

Perhaps the biggest obstacle to localization is the unavailability of capital. Complex securities laws governing capital markets make it unaffordable for small investors to place their savings in small businesses even in wealthy nations. In Australia, for instance, local businesses account for two thirds of the economy and have steadily improved their share of gross domestic product vis-à-vis global business, yet almost none of the 9 percent “superannuation” funds that citizens must put into their retirement accounts can be placed in local business. A growing mission of the localization movement is to deregulate grassroots participation in capital markets, help small businesses issue local stock inexpensively, provide liquidity to these markets through local stock exchanges, and create new investment professionals—advisors, broker dealers, traders, fund managers—who specialize in local investment.²⁰

Changing investment rules is really a subset of a much larger policy reform agenda. Local business alliances are beginning to stake out policy positions dramatically at odds with the traditional business community. For exam-

ple, while the U.S. Chamber of Commerce has been opposing “cap-and-trade” legislation to curb GHGs, a number of local business associations have been lobbying for the legislation. A similar split can be seen around proposals to eliminate tax loopholes for U.S. multinationals: the Chamber opposes these reforms, while local business networks support them.²¹

The biggest public policy change sought by localization advocates is to overhaul the priorities of economic development. Public dollars, they argue, should be focused exclusively on nurturing local business. Every economic development dollar and hour spent on attracting or retaining non-local business is a dollar and hour unavailable for the superior pay-offs, in both sustainability and prosperity, for localization.²²

The agenda for localization actually contains hundreds of action points for activists, businesses, and policymakers, many of whom never agree on much of anything. Localization is forging unlikely new alliances between green businesses and anti-business greens and between free-market conservatives and anti-globalization progressives. And this, in the end, might be the most compelling feature of localization and its most enduring contribution—a culture of sustainability rooted in deep democracy.

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