

# The **nef** Alternative Mansion House Speech 2003

London's living room, City Hall, 12<sup>th</sup> June

## **Beating the System**

### Local solutions to the globalisation crisis

By Stan Thekaekara

Stan Thekaekara has worked extensively with tribal groups in India. He first became involved in this work through the Student Movement, when he went to live in a tribal village in Bihar. He then spent subsequent years working both in Bihar and the Nilgiris in southern India.

In 1986 Stan and his wife Mari set up ACCORD – an Indian NGO established to help tribal people reclaim their land. Stan was invited to the UK in 1994 by the Charities Advisory Trust and the Directory of Social Change to look at the work of UK NGOs and community groups from a Southern perspective.

He also developed the idea for Just Change – that goes beyond fair trade to a system that cuts out the middleman by getting community groups to exchange directly with each other. Stan is a trustee of OXFAM GB.

As I walked into this room, I wondered what I was doing here. I am more accustomed to sitting under a mango tree in a remote village speaking to a group of tribal people. So to be standing here in London's living room before all of you, makes me wonder if it isn't a bit presumptuous to be today's Alternative Chancellor. Because I am not an economist. But then, neither, I am told, is Gordon Brown.

And while he may be backed by an army of civil servants, bureaucrats, and researchers who keep plucking data out of cyber space, number crunching on their computers to come up with all kinds of figures, which he will be spewing out knowledgeably in a weeks time, I am backed by nearly thirty years of experience of working with some of the poorest people in India, the indigenous or adivasi communities. I am backed by their experience of the economy which I am sure is very different from that of Gordon Brown. Where he tries to balance a nation's budget, they struggle to scrape together enough money to buy enough rice to ensure that their children don't go to bed hungry. So what I have to say is from a very different perspective. It will not be the perspective of the chancellor who sits at the top of the economic heap, but of the people who are at the bottom of that pile. About what the economy means to them and about their struggle to try and live a life of human dignity. It is from their perspective that I will speak today. And I will not speak of the

economics of wealth and capital. I will be speaking about the economics of justice. And I hope at the end of the day we will go away feeling that we have heard about the economics of hope.

So, it is from this perspective that I come. When I sit with people who are at the bottom of the heap, around the mango tree in a tribal village, we look at the global economy and try to understand what it is doing to us, why in spite of the best of our efforts and long and tiring hours of back breaking work each day we still remain poor. When I struggle with the Adivasis to try to understand the causes of their poverty, many things puzzle me.

One of the things that has never ceased to puzzle me, especially when I come to the UK or Germany and am involved in debates like today, is the manner in which industrialised nations and the new global capital economic systems are obsessed with economic growth. Everybody talks about growth as something that is not just desirable, but as something that is inevitable. That we cannot manage without a continuing growth of the economy. This is portrayed as an accepted fact of life. That every single human being, every society wants growth. Even those of us who are concerned about and work with the people who are at the bottom of the economic pile are told and tend to believe that growth is inevitable and our task is to ensure that there is fairness and justice in this growth. And so our slogan has become “growth with equity”.

I would like to challenge this. Because it is my personal experience after having come in contact with communities in different parts of the world, that growth is not always desirable and is definitely not inevitable.

I went back to the village where I first began my work in the early 1970s. I went back there after 24 years to find the village unchanged - there had not been a single addition in the number of buildings. None of the buildings or huts had become any larger. The land that they owned had not grown any more than what it was back then. Nobody had refrigerators or cars or televisions. The village was exactly the same as when I left it 24 years before. And my experience in many parts of the world tells me that this is not an exceptional village. The economies of indigenous people and many rural communities all over the world, are not based on growth.

So this presumption that growth is inevitable, is I think, a presumption of an industrialised economy. It is absolutely essential for an industrialised economy that there is growth. Because if people don't consume more, the economy doesn't work. So you have to have growth. It is absolutely necessary for a capital economy. And it is a brilliant way to legitimise consumerism. It is a brilliant way to legitimise unfettered growth in incomes. One of the earlier Mansion House speeches refers to the possibility of putting a cap on incomes. Not about a minimum wage but about a maximum wage. But as long as we accept the growth model such a cap on incomes cannot happen as it militates against growth.

But traditional economists will tell us that without growth we will have poverty of the worst kind. My problem is not with growth. It is with it being the driving

force of our economy. We are obsessed with growth for growth's sake. And the fact that our GDP goes up; the fact that we have a growth in consumerism is apparently enough to justify our economic existence.

I would like to present today a slightly different view on the inevitability of a growth-dominated economy. Not from the perspective of those at the top of the economic pile who have obviously benefited from growth but from the perspective of the people at the bottom of the heap who have been bypassed and ignored when the rewards of growth were handed out. In a growth model the primary preoccupation is the pursuit, the creation, the acquisition, accumulation and the hoarding of wealth. The *distribution* of that wealth becomes secondary.

Is it then so difficult to understand why, even though we have so much growth, poverty still persists and even increases? Is it then so difficult to understand why, in spite of decades of local, national and global interventions the poor remain poor?

What I would like to place before you today is the possibility of having an economy that focuses on the common good or common well being as being the prime purpose of economic activity. Because the moment you focus on common good, the key factor that determines the success of the economy becomes distribution. We will measure our economy not by the GDP but how equitable our distribution of wealth is. Equity then becomes the primary purpose.

So I would like to propose to you the possibility of an economy where growth is not inevitable but equity is. And if equity demands growth so be it. BUT not the other way around.

This takes me to a second thing that has always puzzled the Adivasis more than it has puzzled me. And that is the notion of wealth. A few years ago we had a huge exercise in our community where all the villages were talking about their future and where do we go from where we are. As part of that exercise, one of the questions asked was 'what was their understanding of wealth'? What did they understand by the word wealth? The answers we received were really awe-inspiring. "Our children, our forests, our culture, our language, our unity, our sharing" and so on. From every one of the 167 villages we work in we got the same answer. And not one single village mentioned money.

I think there is a tremendous lesson in terms of what we value here. An earlier Alternative Mansion House Speech talked about the fact that, "if you do not measure things, you tend not to value them." And because we do not measure social capital, because we do not measure child-rearing costs, we don't value it. So there is the alternative economic school if you like, where people are talking about ways to measure this. But again, coming from a tribal or indigenous perspective, people don't need to measure what they know. People don't need to measure what they experience. They don't need to measure what they value. And still this concept of wealth not being about

money but being about things that make our society go round, that make society work, is again a view from the ground. But we are a society that has gone too far down the road of a monetised economy, too far down the road where all things have to be measured and counted. It has become so difficult for us to value the very things that make us human beings.

So the second proposition I would like to make today is that if we found and strengthened ways of measuring that that is really important to our well being we stand a better chance of creating a truly human society. We are more likely to value what is now commonly called social capital if we can find some way of recognising it and valuing the role it plays in creating social well being. So that in turn it will lead to a more active pursuit of the creation of social capital or wealth as defined by the Adivasis rather than the pursuit of money or wealth as defined by our global capital market economy!

That brings me to the third thing that has puzzled me over the years, which is about the nature of money. When we tried to support the Adivasis to take control of their local economy, I discovered that money plays a different role in different people's hands. Money in the hands of the adivasi or any poor person is never "invested" it is "spent" on the essentials of daily life. But the moment the money leaves their hands it begins to function as capital.

In a recent survey, we found that the 2,500 tribal families we work with put 70 million rupees or 1 million pounds into the local economy every year. But at the end of the year these people have nothing, absolutely nothing to show for this huge amount of wealth they have put into the local economy. They are not able to "invest" it, none of it makes more money for them, and they are unable to use any of it as capital. But you look at the person who is just one rung above them in the economic ladder, the one who receives the money from them and you see that the same money in this person's hand has immediately started working as capital. You find this person clearly benefiting from the capitalist economy.

Let me put it a little more simply and clearly. On a good day, at the height of the agricultural season, a tribal person may earn 100 rupees a day picking coffee or pepper. They go to the shop in the evening to buy rice and other items required for the evening meal. The money comes in with one hand and within half an hour it has left that hand and moves into the hand of the local shopkeeper. As one young tribal wag put it, "we are couriers of money, we are the postmen of money. We are not the owners of it". But the shopkeeper who gets the 100 rupees doesn't spend all of it. He may spend 10 rupees of it for his needs but the other 90 he "invests" in buying rice and other commodities again. This money makes money for him.

We are made to believe that the collapse of the socialist economy is a triumph of the capitalist economy. That all over the globe, people are now happily and gladly participating in this capitalist economy. Bush is in his White House, there's plenty of money in the World Bank, the stock market is booming, and capital flies unfettered to every corner of the globe. Surely all must be right with the world?

Let us not fool ourselves into believing that everybody is a happy participant in this global capital economy. Let us not for a moment delude ourselves into believing that now everyone can benefit from this free (what an insidious use of the word) market global capital economy. The majority of poor people all over the world cannot participate in the economy in a manner that will benefit them. They cannot benefit from the capital economy for the simple reason they do not have any capital. Money for them is never ever capital. But they are the people who bolster this global capital economy, because it they who ensure that the money keeps flowing without any of it sticking to their hands. It is very fashionable in certain circles to talk of the negative impact of globalisation on the poor. And I am an ardent supporter of this fashion. But I think the time has come to look at, very critically, how the poor, actually positively impact on a global economy. How the poor actually hold up a global economy. How the poor actually contribute to a global economy.

In one of our sessions in the villages we were trying to explain this complex global economy and money flow to tribal people. We asked people to bring from their houses what they use to clean their teeth in the morning. We had one of the older people in the village bringing a twig of Neem, which he breaks every morning from the tree to clean his teeth and we had the young people, bringing a tube of Colgate toothpaste. And I said to the young people – just imagine! Every morning each time you spit, when brushing your teeth, somebody in America makes money. The thought that in a small remote tribal village, lost in the mountains of South India, that a tribal every morning can be contributing to the creation of wealth for somebody in America or wherever, is really mind-boggling.

If we were to track a 1000 rupees from its beginning as pure capital we would find that as it moves down the rungs of the economic ladder less and less of it is used as capital till finally in the hands of an adivasi or daily wage earner none of it is used as capital. Trickle down aptly describes this phenomenon. But as the money starts moving up the ladder again, more and more of this money is used as capital making more and money for people all along the higher rungs of the economic ladder. If capital *trickles* down I think it then *gushes* up especially in today's globalised economy.

So this is my third proposition: If we are seriously committed to eradicating poverty we have to look far more critically at the nature and flow of money, We will have to transform our monetary system which now clearly works in a manner that benefits a few – and increasingly fewer people.

In my search for creative way of solving the problems of my people, I have been exposed to two schools of thought. And over the last few years there has been a lot of debate between these two schools. Globalisation versus localisation. One is about market access and helping poor people access global markets and the other is building strong local economies. Are these a contradiction? Is it an either/or scenario? I'd like to believe it's not. I'd like to believe that one of the powerful ways of strengthening the local economy is by plugging into the global economy. But with a difference.

The work that NEF has done on plugging the leaks, I think, is absolutely brilliant. It was a really strange experience to get in touch with people from NEF and realise that from two different ends of the globe we were working on almost identical concepts. We have actually built up a game around the NEF metaphor of the leaky bucket. Where people working in groups try to fill up a leaky bucket and find that they can't. Because the water flows out of the bucket faster than they can fill it. And the first solution they get is to block the holes and then of course the bucket fills up. And the group that fills their bucket first is triumphant and declare they have won the game. But if you think of the bucket as a local economy, a bucket with all the leaks plugged means that you haven't fed yourself, you haven't clothed yourself, and you haven't done anything because you haven't spent any money, you've just bottled it all up, and it demonstrates irrefutably, the fact of the impossibility of blocking all the leaks. Money *will* flow out. And so the next step of the game is to connect up the different buckets with little pipes. Something very interesting happens. All the buckets fill up very quickly and they are never empty out. Because the moment one bucket begins to empty there is an inflow from some other bucket and it refills. In keeping money circulating between local economies we can then create a very virtuous situation of strengthening a local economy by plugging them into other local economies.

So for me, globalisation, is not an upward flow of money, over which we have no control, but is this more lateral flow of money, over which we have significantly greater control. So to all the people who campaign for Fair Trade I say, Fair Trade is not about market it is about power and control in the markets. And not just in terms of determining a price but power and control in the market in determining the terms of trade, of determining how the benefits of trade will be distributed. It is not enough to tinker with the mechanics of trade we need radical new structures through which we carry out our trade.

So to me the debate between market access localisation is an artificial one. To me local is not geographical. Local is not a small community, tucked in small village, struggling to produce all of their requirements within a five-kilometre radius. I think we live in far too sophisticated, far too complex a world for that to happen. And so I would redefine what we mean by local. To me local means linking up communities who believe in certain fundamental principles. It means linking up people who subscribe to a similar kind of thinking and values.

So this is my fourth proposition - that by marginally increasing the price the producer gets for her labour is not going to significantly change her economy, it will not by itself address or correct the fundamental flaws and injustice of our current global market economy. The challenge for us today is to create a radically new structure, which will directly link consumer and producer communities and enable them to transact their trade and exchanges in a manner that is different from the global marketplace. A structure that will allow justice and equity to be its cornerstone rather than unlimited profits. A structure that will measure the success of an economy not just by the profits generated, but by how equitably this profit has been distributed.

Just as much as I am not an economist I am not a theorist. I like to do things; I like to make things work and try to understand theories and concepts from that effort. I would like to describe at this point our efforts at trying to concretely respond to the propositions I have put before you today. It is an initiative called *Just Change*.

To explain Just Change I need to give you a little history of the work we have done in the Nilgiris. We started working with the indigenous families of that area who had lost control over their land. They ended up becoming labourers on land that was once their own. Many of them were bonded labourers - like slave labour. Our analysis of the situation and what had to be done to correct it clearly showed us that land was the heart of the economy. If they had to get power in that local economy, if they had to change the economy - they had to get the land back. And we helped the Adivasis to organise themselves and launch a huge Tribal Land Rights Campaign – a campaign to reclaim tribal land. Fortunately for us, the campaign succeeded, and succeeded very significantly.

But once the people got the land, we were faced with another issue. What do they do with it? These are people who can't afford even one day of their own labour. And so we realised that the best thing to do would be to help them to plant the land with a crop. We decided to plant tea. I won't go into the details of why we chose tea, which is again another story in itself and quite interesting. Let me just mention, that tea up to that point, was only planted by huge landowners and multi-national companies. And the thought of an agricultural, un-skilled low paid Adivasi labourer being a tea planter was not only economically but also socially and politically considered impossible. And for us that was a major reason for planting tea, even more than the economic reasons. We were very successful with this tea-planting project. It had changed the economy as well as social and political relationships. But one of our colleagues challenged this and said – you have moved these people from a local wage economy into a global market economy. And in this process have made them more vulnerable than they ever were. Because when they were local wage earners – if a landlord did not pay them a proper wage, we could mobilise a few hundred tribal people to go and grab hold of the employer's collar and demand a fair wage. But when tea prices crash, as they have done in the last few years, whose collar do you grab? Who is this market force? Where do you protest? Where do you try to change things? .

And so we started looking for ways by which we could secure the economy of the tribal people. And this led us to the fair trade movement. We came in contact with a fair trade organisation in Germany called 'Gepa', who started buying our tea and giving us a higher price for it. A few years ago a small group of Adivasis actually went across to Germany. And they went into the One World shops where their tea was being sold and saw their tea on the shelves, with the name of their organisation, with a picture of one of their people, with their village on it. They were amazed. They were thrilled. And then they heard that people out of solidarity and good will were going to such lengths to buy this tea, even though they may not really like it they could not

believe that there could be such good people in this world. And not only were they buying the tea, they were willing to pay more for it. This amazed them even more. And one of them, Bomman, declared, "This isn't fair. These people are our friends. They should get the tea cheaper not pay more for it". And so Bomman introduced a new element into the concept of what is fair: the element of relationships. That it is possible to determine prices not purely on market forces but on other forces, like human relationships. *That* is power in the markets. The power to decide the price based on values that matter to you.

Another interesting story about this issue of relationships was when six other Adivasis came to the UK to meet different groups here. One of the groups was the Co-operative group in Manchester and we met their chief executive and their board members. During the meeting they showed us the tea that they were selling. The packet was red, with a beautiful picture of a Sri Lankan woman picking tea. I'm sure you've seen it on PG Tips and many other tea packets – a woman with a basket on her head picking tea. And I remarked I'm sure nobody alive today can tell you who that woman is, her name, her story, her history. But if we put a face on a packet we could tell you everything about that person. Because it would be somebody very real and someone we knew. And one of the people from the Co-operative group suddenly mentioned, "you know I've been buying that tea for the last twenty years and that woman hasn't grown a day older". So, what we have managed to do with our much flaunted market economy is to take people out of products. We've completely removed the human element from our products. We have de-humanised products. And we make products seem like they are an entity on their own. They have a life and place of their own. Which has nothing to do with human beings.

These are some of the factors that led us to set up Just Change. It is an attempt to link producers, consumers and investors in a co-operative chain where they can trade directly with each other. The idea was first born in Gudalur, South India, where we traded tea with a weavers group for saris. They gave us saris we gave them tea. And we both benefited. The idea took on an international dimension when in 1994, at the invitation of the Charities Advisory Trust and the Directory of Social Change, my wife Mari and I came to Britain to look at community work in the UK from a Southern perspective. We went to what you could describe as the most deprived areas of Britain, Easter House, Manchester and Birmingham. And one of the things that we found was that these people, living in council estates, drank huge quantities of tea. They were paying a lot for their tea. And paying a price that had nothing to do with the price that we got for the tea that we grew. And we wondered, can't we send the tea directly to these people? And Michael Norton who is sitting here, came up with the name Direct Links. Later on, Joel Joffe, who was then the chair of Oxfam, in a conversation over lunch with me, said "Brilliant. But it won't work". And I said why not? He said, "You are talking about two communities who do not have money - who have a shortage of money. You will need money, because you do not control the entire market chain. And so you also need somebody with capital". And that is when the

idea grew or expanded to include an investor, people with capital, as part of the co-operative chain.

Let me tell you how this can work, very briefly. And how it has been working, very simply. About a year ago, we imported into the UK just under one and a half tonnes of tea. We managed to locate a tea merchant in Chesterfield with a teabagging facility that agreed to be part of the co-operative and tea bag the loose tea for us. This goes into five community groups in the UK who then re-package it if they want to and then sell it to their members and to other people.

In the present market economy, even in the Fair Trade model, the moment we put our tea into the market chain, at the first point of contact a price would be determined and we would lose ownership over the tea. And then the tea would take a life of its own. We are divorced from that tea. The ownership moves from us to somebody else. And then to somebody else and somebody else, ownership often changing till finally it ends up in a package with a pretty picture on it. And all along the way, the price also changes. And as the tea moves along the market chain the price is increasingly de-linked from the cost of production and the initial payment made to the producer. What you as a consumer pay for your tea has nothing to do with what I as a producer got for that tea.

Let us imagine a pot here in front of us – a pot which is filled with money put in by the investors that Joel Joffe talked about. Unfortunately for me, as a producer, when I put a 1000 kilos of tea into the market, I cannot wait for the six months or one year that it would take for this to go through many life cycles and reach somebody's cup in Birmingham, or Manchester or Gloucester. And then have the money from all of these different cups collected and then sent back to me. I can't wait that long because I have to feed my family this evening. And so, I take from this pot, or from the system, a hundred thousand rupees. I would then owe the system a hundred thousand rupees and the system would owe me the value of one thousand kilograms of tea. We do not close the books; we do not complete a transaction. At the end when the tea is sold, that is when we know the real value of tea. The value of tea that would have been paid to me in the mainstream market economy is not the real value. It is a negotiated value - negotiation that depends on the power of the person who is paying and the vulnerability of the person who is selling. The real value of tea is what a person drinking it is willing to pay for it. What we are proposing is that we as producers have a share of the real value. Not of negotiated values at the beginning or along the chain. As a co-operative, or as a collective, we as producers along with the people of Manchester, the people of Orissa, the people of Gloucester, who as consumers buy our tea, would jointly own the surplus that had been generated. And it would be up to us to decide how to distribute the surplus.

Allow me to digress and tell you another small story. The first consignment of tea was due to go out to a group of people who are known are considered to be untouchable by upper caste Hindus. Because, they are the community that does all of the un-clean work, cleaning toilets, burying carcasses and so on:

totally un-touchable. There is terrible discrimination against them. We found that they were also huge tea drinkers. And we said why don't we send the tea to them? And we had a meeting of our tribal people. And asked them if some profit is generated through this transaction how do you think we should distribute it? How much should they get, how much should we get? Now, there were two hundred people at this meeting, and they turned around and said, are you mad? These people are so much worse off than us, they have trouble in every way, why should we take anything of their profit, and we've got the cost of our tea. We've got a fair price. If there is a surplus generated, let them keep it. Market sense? Not at all. Here we have a group of people, who have so little, but who can now exercise their power in the market to determine what is fair in terms of distribution and this is what we are proposing through Just Change.

In conclusion, if we must have globalisation and I believe we must, let it be one of our choosing. Let it not be a globalisation of capital. Let it not be a globalisation of the wealthy. Let it be a globalisation of people, a globalisation of relationships, a globalisation of values. I believe we do need a global world. But I believe we need a globalisation not of the kind that Gordon Brown will talk about in a few days time, but of the kind that will link the poorest people of the world with other poor people and with some of the rich people of the world. People who believe it is possible to have a world where the poor will not always be with us. And so I would like to end by saying let us look for a globalisation of hope, let us look and strive to build a global structure based on the economics of justice."