

0016-3287(94)00025–5

NEW MARKETS AND NEW COMMONS

Opportunities in the global casino

Hazel Henderson

The United Nations is well positioned for the global changes of the information age now engulfing nation-states. The UN role and tasks—as global norm setter, broker, networker, convenor, and peacekeeper—are ideally suited to today's world of linked 'infostructures' and distributed power, influence and knowledge typified by the emerging global civil society. The UN can serve all these emerging infostructures—and be compensated by fostering debates and convening parties to design the needed agreements for operating the emerging 'electronic commons', including today's global financial casino. Technological, social and economic contexts for this new global agenda are described together with some market opportunities in new public/private partnerships to serve the global commons.

Currency speculation and the inability of the global securities and financial industry to address the mounting risks to all players is a classic example of how events and technology render economic textbooks obsolete. Economic theory is highly articulated concerning markets and various market failures. But economics has consistently overlooked the commons and their allocations theories—except when commons can be owned as property. Today, most governance and allocation issues perplexing human societies involve the global commons. Interestingly, today's now-integrated, 24-hour global casino is transforming itself from a classic free market place of win–lose competition to a new form of electronic commons, where each 'rational actor's' self-interested behaviour can endanger the entire system—unless rapid cooperative, collective action is taken. Recent examples

Hazel Henderson is an international development policy analyst and forecaster, a Fellow of the World Business Academy, and a member of the Global Commission to Fund the UN. She may be contacted at PO Box 5190, St Augustine, FL 32085-5190, USA (Tel: +1 904 829 3140; fax: +1 904 826 0325).

illustrate the vulnerability of tightly interlinked global financial systems operating without overall rules, such as Germany's Herstatt Bank failure and the US savings and loan crisis. Both these episodes were addressed by cooperative agreements and government intervention. The more recent losses by banks and corporations in derivatives and hedging strategies raise concerns that the process of risk reduction for individual players increases risks in the whole financial system which will require new global rules. Even otherwise free market economists, including Fred Bergsten, Jeffrey Sachs and Lawrence Summers, are urging the formation of a 'GATT for investment and finance'.¹ Clearly, the UN has a key role in fostering such innovations.

Today, information technology innovations have created a global financial casino where as much as \$1 trillion of 'virtual securities' (*derivatives* of underlying real stocks, bonds, commodities and currencies) are traded each day—bringing new uncertainties such as raids on the dollar, sterling and other major currencies, and scenarios of financial collapse. Worried central bankers and national politicians, trying to stave off such scenarios, are left with failing textbook economic remedies to support their domestic economies and currencies (such as raising interest rates or buying efforts). These national players, handicapped by eroding national sovereignty, manoeuvre painfully towards the *social innovation* needed to match the advance of the global casino's computer and satellite-based *technological innovation*.² The UN in its preeminent role as global norm setter, broker, networker and convenor is well suited to fostering such social innovations in the new electronic commons.

In today's financial markets, bankers, brokers, bond and currency traders themselves—along with growing numbers of finance ministers, parliamentarians and regulators—see the need for new rules to create more orderly capital and currency markets. Such new market regimes can inspire confidence, such as the 'circuit breakers' introduced on Wall Street after the 1987 stock market crash, which now dampen the effects of program trading. Finance ministers acknowledge the loss of domestic controls as well as diminished tax revenues which came with the financial deregulation of the 1980s. Bond markets more concerned with inflation than unemployment limit 'pump-priming' projects and jobs while reducing options for social safety nets. Some central banks have even tried to join the derivative trading game—on occasions with heavy losses. Only global agreements on capital investment, currency exchange stabilization and restructuring the IMF, World Bank and the World Trade Organization (WTO) can address today's paradoxes so well described by Jeffrey Sachs in *The Economist*.³ However, his prescriptions for closing 'the big holes [that] remain in the legal fabric [which] may yet threaten global economic systems', fall far short of addressing the dilemma of national governments squeezed between currency speculators and bond traders on the one hand and the perils of domestic protests of IMF structural adjustments, on the other. Sachs assumes 'in 1994 the world is closer than ever before to the global *cooperative* [emphasis added] free market arrangements championed 50 years ago by the visionaries who met at Bretton Woods'. However, cooperative agreements do not emerge automatically from free markets and must be designed by human rather than invisible hands.

The social innovation lag

The 300-year evolution of Western industrial societies involved a continuous lag

between technological innovations and the social innovations needed to accommodate their societal assimilation. From the spinning jenny and the steam engine, to the automobile and computer, such technologies have always outpaced and eventually called forth responding social innovations: double-entry book keeping and accounting protocols, national currencies, and central banks, standardization of rail gauges, highway signs and electrical fixtures. The computer industry, now automating service sectors worldwide, underpins today's global casino. The UN—itself a major social innovation—is well suited to development of the legal infrastructure of this electronic commons. Computer industries are still in their competitive, market expansion phase—facing many paradoxes of technological evolution often experienced at this stage of the innovation cycle, eg incompatibility and mismatches between software, operating systems, etc. This diversity of design—originally a competitive advantage to individual firms—begins to hinder further market expansion into more system-wide applications. The other major paradox is joblessness, poverty, and thus loss of consumer purchasing power. Market competition (or in game theory terms, win–lose strategies) begins to disorder social structures and also *limits* market penetration. Incompatibility often leads to chaotic conditions, for example, in the early railroads and multiplicity of bank-issued currencies, or the separate development in the 1970s of a dozen or so different machine-readable product code systems. Paradoxically, textbook market theory inhibits the social innovation response which could distribute the fruits of technological productivity more widely via new tax policies *and* widen market penetration. Such social innovations are seen as 'interference in free markets'. In France, Minitel terminals were distributed freely by government—achieving much more rapid acceptance of computers than in the USA. In France, there is also a widening debate about shortening work weeks to reduce rising unemployment.⁴ Systems approaches view the win–lose market framework as simply entering a transitional phase whereby cooperation (ie win win strategies) could expand opportunities for all, as well as by standardizing a regulatory regime, now at the global level, as I have detailed elsewhere.⁵

Today, it is not surprising that social efforts are still lagging in the control of the rate and direction of technological innovation. Western societies are still unsuccessful in channelling these now powerfully institutionalized technological drives toward systemic, social and ecological goals. Social inventions arise in response, such as the US Office of Technology Assessment, founded in 1974 on whose original Advisory Council I served until 1980. Nowhere is this widening lag in social innovation more visible than in the growing gap between the explosion of computerized global financial trading (over 90% of which is speculation) and the so-far feeble efforts of finance ministers, bankers and international bodies, such as the Bank for International Settlements (BIS) and the International Monetary Fund (IMF), to create the needed regulatory regime. This new regulatory framework is now essential and must be global and as 'real-time' as the markets themselves. Minimally, it should resemble the functioning of the Securities and Exchange Commission (SEC) which regulates Wall Street in the USA. Other similar capital market regulations in other countries will need to be harmonized into a single 'Global SEC'. Many *ad hoc* efforts are occurring behind closed doors in studies under way at the IMF, the BIS, at meetings of the G-7, and in academe, such as the 'Rethinking Bretton Woods Symposium' at the American University, in June 1994.⁶ Even Bankers Trust chairman, Charles Sanford, envisioned the restructuring consequences of global information networks which can now bypass banks—allowing entrepreneurs seeking

capital simply to upload their business plans on to the Internet.⁷ Similarly, I have predicted that financial TV channels will offer 'The Venture Capital Show', 'The Initial Public Offering Show', etc, complete with 800 numbers to complement existing electronic trading systems, such as Instinet, AutEx and Reuters. National legislators can only respond to global speculation, hedging and derivatives with ineffective domestic legislation. Market responses are equally suboptimal, such as increasing the contracting out of hedging and risk-management activities to banks (including Bankers Trust and Tokai Bank Europe) or private consulting firms such as Emcor Risk Management Consulting, USA, the largest player.⁸ This outsourcing is driven by the complexity and costs of the computer programs and 'rocket science' experts in such hedging strategies—now beyond the capabilities of most company treasurers. Such outsourcing creates even greater risk to the system as a whole since the few providers of such services may lead to a *de facto* 'cartelization' of them.

Thus, today's looming global financial crises have deep systemic roots based in the paradigms which underlie industrialism and still drive the so-called post-industrial information age. No wonder traditional banking and financial leaders are unable to transcend their competitive models to visualize needed social innovations. Only new paradigms—beyond reductionism, the Puritan ethic and nationalistic competition—can allow social innovation to catch up with rampant technological innovation, whether in computerized hedge programs and global financial markets or the globalization of today's arms markets and industries. Such new paradigms need to extend beyond individualistic economic textbook models of maximizing self-interest as 'rational' behaviour and global competitiveness of such actors in a 'level global playing field' of few rules and 'free trade'. Regulation is opposed by equating free enterprise technological evolution as 'natural as ecosystems', while invoking chaos theory and system dynamics to 'prove' that regulatory intervention to deal with rising poverty and joblessness is too unpredictable. It remains to be seen whether today's chaotic global financial casino and other new technological domains in cyberspace will be even more unpredictable without some regulatory intervention. It is never a matter of *either* rules and regulations *or* freedom and markets. In human societies rules for interaction are fundamental—it is only a matter of who, what, when, why, where, and how we choose to regulate ourselves. The invisible hand is our own.

Today's abstracted world trade/global competitiveness model has alienated financial markets from the real economy of 'Main Street' (where actual people in real factories produce real shoes or build real houses and grow real food). Thus, the global casino is now spinning into cyberspace—divorced from any understanding of the whole picture: human societies with people working, cooperating and competing, while interacting within webs of other species and ecosystems in a fragile, ever-changing biosphere. Thus, the needed paradigm shifts are towards systems and chaos theory and other interdisciplinary, dynamic change models, informed by psychological re-integration to overcome the pervasive fear/scarcity-based strategies of economics. They are now *conditions* for the shift of our financial systems from pervasive GNP-based, 'trickle-down' economic growth typified still in the Bretton Woods institutions to diversified, decentralized 'trickle-up', sustainable development—which restores incentives to mutual aid, cooperative informal sectors, and the development of agreements and rules or managing global commons.

These paradigm shifts begin with rethinking scarcity, abundance, needs and satisfaction, and lead inevitably to wholesale redefinitions of money, wealth, work,

productivity, efficiency and progress. A prerequisite of this new worldview is the understanding that money isn't scarce, and that its apparent scarcity is itself a major social regulatory mechanism—a social innovation, which, when functioning well, provides a beneficial circulatory system for wider human exchange and purchasing power beyond face-to-face barter. As Boulding noted in 1968,⁹ there are three basic kinds of human interactions: (1) *threat*, based on fear; (2) *exchange*, barter and reciprocity; and (3) *love*, based on gifts, altruism, and more comprehensive, long-term value systems.

Many of the operating principles derived from industrial paradigms remain unexamined: technological innovation is widely encouraged and subsidized; social innovation is suspect (as 'planning') and occurs only after crises, such as the Great Depression. The UN itself emerged only after the experience of two ghastly world wars. National societies are assumed to be divided up into a private sector (market competition) and a public sector (government and non-profits) with a 'Berlin Wall' inhibiting interaction (buttressed by anti-trust laws). Government is enjoined from 'competing' with private sector business. Much creativity and inventiveness is dammed up behind such rigid definitions and restrictive institutions which operationalize the competitive nation-state-based industrial paradigm now moving towards its logical conclusion—global economic warfare. In pre-industrial and traditional societies, most land and natural resources were held communally, for example, 'the commons'—the village green (as the common grazing land of feudal England was known). Garrett Hardin, in 'The tragedy of the commons', pointed out the problem that occurred when individuals could maximize their self-interest by putting more of their sheep to feed on the commons—leading to overgrazing that destroyed the commons for all.¹⁰ Hardin failed to dispel the confusion among economists between the commons as 'property' and the commons as 'closed systems' which are accessed collectively¹¹ (see *Figure 1*). Either communities could agree on rules to access fairly the commons—or it could be enclosed as private or group property and plots could be traded in a market. In either case, issues of equity and freedom always have to be adjudicated, while the poor and powerless tend to be denied fair access. The world's oceans, the air we breathe, the planet's biodiversity, are all also commons—not property. They can only be managed with agreed rules to prevent exploitation. This is now true for the emerging electronic commons. The concept of private property, as I have detailed elsewhere¹² is derived from the Latin word *privare*: all those goods, lands, and resources that individuals wished to *withhold* from the community and to *deprive* common usage.

Today, commons are still widely evident in traditional agricultural societies and many developing countries. Indeed, the march of industrialism has involved the enclosure of commons begun by force in 17th-century Britain when peasants were driven off common lands by the Enclosure Acts as described by Karl Polanyi in *The Great Transformation*.¹³ Today, market forces seek to enclose such declining commons as ocean fish stocks (by arbitrarily allocating property rights to fisheries) and biodiversity (by continually encroaching on natural habitats and by patenting life forms and species)—thus shortchanging future generations via current market discount rates. Such pre-empting of commons and simply declaring them as 'common property' or 'markets' by fiat, denies due process to indigenous people who have fostered such resources and biodiversity for generations. Markets are the focus of economic textbooks, since economics arose as an epistemological justification for early capitalism and industrialization. Commons are still barely examined, even in much more recent 'green' economics texts, except as common

Economists	Futurists/systems
Markets Private sector <ul style="list-style-type: none"> • Individual decisions • Competition • Invisible hand • Anti-trust 	Open systems <ul style="list-style-type: none"> • Divisible resources • Win-lose rules • (Adam Smith's rules)
Commons Public sector... <ul style="list-style-type: none"> • Property of all • Monopoly under regulation • Consortia 	Closed systems <ul style="list-style-type: none"> • Indivisible resources • Win-win rules • Cooperation • Agreements

Note: One must remember that all such schematizations are, at best, approximations and often culturally arbitrary

Figure 1. Differing views of markets and commons.

property.¹⁴ The global electronic commons of finance, computer and other communications networks are still widely viewed as 'markets'.

From a systems viewpoint, 'markets' are merely open systems with abundant resources that can be used individually and competitively, while commons are closed systems, where resources are used indivisibly, such as national parks, air, oceans, satellite orbits, and the earth's electromagnetic spectrum (see Figure 1). From the economic textbooks' standpoint, these commons conceived as 'common property' can only be rationally managed if *owned* by somebody. Thus economists rely on private ownership and property rights schemes as 'market-based regulations' (eg taxes and subsidies) leading them, for example, to lobby governments to set up such 'markets' as those in the US Clean Air Act of 1991 allowing polluting companies to sell and trade their 'licenses to pollute' the common air to other companies. The rhetoric used borders on schizophrenia, ie markets v 'command and control' (a straw man in the post-communist world) and a false dichotomy, since such pollution 'markets' are *set up* by new regulations and require costly monitoring and enforcement of total emission levels. Needless to say, many local citizen-groups point out that these polluting companies did not 'buy' the air and have no right to sell a common resource such as air, which is a condition of *survival* and protected as a human *right* along with liberty and the pursuit of happiness (for example, in the US and others' constitutions). Today's issues of markets-v-commons (and regulations) still concern equity, accountability, democratic access to public assets and essential services. Debates on the information superhighway typify the now bankrupt 'public v private/market v regulation' polarization. Even Wall Street analysts schizophrenically characterize the cut-throat and still privatizing telecommunications sectors as 'balkanized and fragmented' and 'needing national standardization' in order to develop further. This state of affairs typifies the myriad players in the global casino—banking, brokerage and insurance services which are now merging, *ad hoc* groups such as the Paris Club, as well as the International Organization of Securities Commissions (IOSCO), the BIS and its 1988 Basle Accords, the Committee on Inter-Bank Netting Schemes, etc.¹⁵ These public and private sector actors in today's global casino can be convened with the help of the UN to create broader agreements on currency regimes at a new 'Bretton Woods'

conference, as many groups, including the Volcker Commission, are now proposing.

More systemic theoretical frameworks can help reconceptualize today's great globalizations and the restructuring processes which they engender—the globalization of industrialism and technology, of finance and information, of work and migration, of human effects on the biosphere, of the arms race, and the emergence of global consumption and culture.¹⁶ Concepts that provide the context for the rise of information societies and the eclipse of industrialism and its now dysfunctional economic paradigm include:

- (1) The shift from human progress as equated with quantitative GNP growth (to more complex qualitative goals of quality of life and sustainable development), requiring new scorecards such as the Human Development Index (HDI) of the United Nations Development Programme, and my Country Futures Indicators (CFI) and its first version for the USA—the Calvert-Henderson Quality-of-Life Indicators. The reclassification of the 'economy' beyond textbook public-v-private sectors and market-v-regulations is necessary as well as expanding the mapping of productive sectors to include the unpaid, informal economy and the undergirding of productivity by nature, as well as the rise of the global civil society.
- (2) A systems view of markets as open systems and commons as closed systems (see Figure 1) to clarify policy options and new strategies. Economic textbooks need to reflect systems theory and teach how to recognize when markets saturate (ie all niches are filled), and they turn into commons. A sure sign of the need to reorganize a market from win-lose competition to broader win-win rules for all players is the pervasive appearance of cutthroat competitiveness, ie lose-lose, such as today's competitive global economic warfare or conflicts over the earth's cluttered electromagnetic spectrum, or increasing global arms sales which make no one more secure.¹⁷ Most institutions geared to meeting today's needs and those of future sustainable development will require restructuring and cooperative linking in networks and consortia of *both* public and private actors and institutions. There will be as many new types of enterprise charters, providing new incomes and jobs as human imagination can devise: from joint stock companies and employee stock ownership plans, worker-owned enterprises, non-profit institutions, private/government corporations (such as the World Bank and INTELSAT) and new UN agencies, such as the proposed Development Security Council, to community development banks, cooperatives, and networks of cooperating small businesses, such as those in Italy and Denmark (see Figure 2).

Break-up of the global money cartel

Today we see the rise of non-money, information economies (local, regional, and global networks for barter, counter-trade, reciprocity and mutual aid) wherever macroeconomic management is failing in societies.¹⁸ In G-7 countries, Russia and Eastern Europe—all challenged by the global casino—people are creating their own local information societies of mutual aid on the Internet and other networks where users are increasing by 25% per month. Businesses in high unemployment and poverty areas are issuing discount coupons and other scrip, just as cities all over the USA did during the Great Depression of the 1930s. In the 1990s' information age,

New markets	New commons
<ul style="list-style-type: none"> • Telecom services • Desert greening • Pollution control • Renewable energy • Recycling, eco-resource management • 'Caring' sector (day care, counselling, rehabilitation, nursing) • Infrastructure (extending transport, telecommunications, etc) • Eco-restoration, bio-remediation • Peacekeeping risk-assessment services 	<ul style="list-style-type: none"> • Space, Earth systems science • Electromagnetic spectrum • Oceans, water resources • Atmosphere, ozone layer • Security, peace keeping • Forests • Health • Global economy • Global electronic commons

Figure 2. Exploring the evolving global playing field.

democracy is now sweeping the planet as people everywhere can see on satellite TV how politics, economics, money and cultural traditions interact to control human affairs from the global to the local level. A global civil society made up of millions of citizens groups now linking electronically is challenging both governments and corporations—as a third 'independent sector'. New demands include reducing working weeks to 30 hours so as to share the fruits of automation, or for guaranteed incomes for all citizens so as to maintain purchasing power.¹⁹ Many in governments and at the local level are realizing the implications of the global information age: money and information are now equivalent—if you have the one, you can get the other. In fact, information is often *more* valuable. Today, money often *follows* information (and sometimes *misinformation*) and markets are no longer so 'efficient'. Indeed, psychology and game theory now often explain markets better than economics, as the latest Nobel awards in economics attest.

Thus, the global money monopoly is breaking up, even as its casino becomes more unstable with bouncing currencies, derivatives and increasing volatility. Socially innovative governments can now go around the money monopoly and conduct sophisticated barter and counter-trade deals directly (as do corporations) using computer-based trading systems similar to those that Chicago's commodity traders use. Indeed, one-quarter of all world trade is already done this way, according to industry estimates. Thus, the 'need to earn foreign exchange', which hung over governments like a sword of Damocles, can now be lifted and the IMF must face up to this new game which it can never control. Complicated four-, five-, and six-way trading deals between multiple partners can be executed with almost the ease of money. Computers keep the audit trails of who promised to 'pay' for which commodity in exchange for what other commodity on what dates—which is what money is and does anyway.

Today, calls for democratizing and restructuring the World Bank, the IMF and the WTO, as well as opening up the still private BIS, have grown out of new evidence of the irrelevance of structural adjustments²⁰ and the failure of the economic approaches in the United Nations Third Development Decade. These demands culminated in the 1994 clashes in Madrid between developing and industrial countries over fairness and special drawing rights (SDRs) to the global, grassroots campaigns, 'Fifty years is enough', actually to shut down the World Bank. Protests will become more strident as more people see that money is not in short supply and that credits and liquidity often follow politics and could be made available more widely and equitably—not just to governments to shore up alliances and pander to bond traders and other special interests. Democratic reformers seek

wider access to credit for private groups, local enterprises, villages, and many other NGOs and communities for 'trickle-up' development. Such campaigns will persist until the political assumptions of the Bretton Woods institutions are teased out of their economic models and their relationships with governments, banks, securities traders, stock exchanges and bond holders are made clearer.

Local information commons as safety nets

As the crises swamping macroeconomic management become more evident worldwide, people at the local grass roots are rediscovering the oldest, most reliable safety net—the non-money, information economy. Over half of the total world production, consumption, exchange, investments and savings are conducted outside the money economy—even in industrial countries (for example, some 89 million American men and women volunteer an average five hours each week, saving taxpayers millions in social programmes). No wonder World Bank and other development projects have failed, since they overlooked these non-money sectors. Meanwhile, many OECD countries face 11% average unemployment rates while economic 'shock treatment' still roils Eastern Europe and Russia, and debt problems worsen in 'developing' countries.

Independent, urban money systems have always flourished whenever central governments mismanaged national affairs. Such alternative currencies which fostered local employment are catalogued in *Depression Scrip of the United States* (1984), documenting the hundreds of US cities and others in Canada and Mexico which recovered from 1930s' unemployment by issuing their own money. Most economic textbooks excoriate such informal local economies as backward or inefficient and ignore the rich history of such information-based alternatives to central banks and national currencies. Earlier examples were based on the theories of economist Silvio Gesell and included the city of Worgl in Austria and the Channel Islands of Jersey and Guernsey off the southern coast of Britain. All three became enclaves of prosperity and survived botched national policies of the period. Today, Jersey and Guernsey still survive as examples of how independent, local credit and money systems can maintain full employment, public services and low inflation. Economists and bankers, after fighting such local initiatives, may need to rely on them today to stabilize spluttering national economies.

Today, ordinary people are not sitting idle hoping that macroeconomic managers can help them. Local communities see the confusion at the top and are not waiting. In Russia, as the rouble declined, barter and flea markets become pragmatic substitutes. Oil flows from Kiev, Ukraine, to Hungary to purchase trucks, while Russian engineers design power plants in exchange for Chinese coal. The big lesson of the information age is being learned: information can substitute for scarce money. Information networks operate barter systems in the USA worth \$7.6 billion per year. The number of US companies engaged in barter services has increased from 100 in 1974 to 600 in 1993.²¹ These barter companies, according to *AT WORK* newsletter, range from the Barter Corporation, a trade exchange network in the Chicago area, to Ron Charter of Costa Mesa, California, which exchanges recycled appliances and sports equipment for Green Card credits good towards payment for goods and services at more than 200 participating businesses in Orange County. Some of these exchanges are for education and healthcare for employees. Goods bartered range from trucks, office furniture and carpeting to clothing, travel, hotel rooms, dental and optician services. At the local level, barter clubs now keep track of credit,

investment and exchange transactions. These information networks function like commodity exchanges, just as payments unions and trade agreements do for governments. These non-money and scrip-based economies are leading indicators signalling the decline of macroeconomic management.

Such decentralized, local ingenuity still alarms bankers and central monetary authorities. Such local 'currencies' and *ad hoc* alternative economies in the past have been stamped out by governments as being illegal or tax dodges. Yet whenever local producers and consumers are faced with hyperinflating national currencies or jobless economic growth policies, they resort to such pragmatic ways of clearing local markets, creating employment, and fostering community well-being. These new local information societies are not only attempts to create safety nets and home-grown economies, but are a resurgence of kinship systems. Thus they are understood better from anthropological and cultural perspectives than as 'economic' or merely financial/currency systems (an excessively reductionist view). These local information societies are rooted in the informal economy and derive from traditional societies and their systems of reciprocity, mutual aid and self-reliance, and based on attempts to re-knit community bonds, work and relationships.²² Now that information has become the world's primary currency, both on international computer trading screens and in local PC-networks and exchange clubs, people are at last beginning to understand money itself.²³ The implications of the new global information currency are shattering all our former assumptions about central banks, money, credit, liquidity and trade. This fast moving information has end-run fiscal and monetary tools, and calls into question how deficits should be calculated and the role of other macroeconomic management models, statistical apparatus, and conventional measures of progress such as money-denominated gross national product (GNP) and gross domestic product (GDP).²⁴

New markets to serve both global and local commons

The UN itself is best positioned to serve this new global information age. The UN is now the world's *de facto* 'superpower'—being called on daily to assume even larger burdens of peacekeeping from Bosnia and Somalia to Cambodia, Cyprus and El Salvador. Yet member-countries making these demands include the richest G-7 countries, and they are collectively in arrears by almost a billion dollars in paying their dues to the UN. Secretary General Boutros Boutros-Ghali has noted in *Agenda for Peace* (1993) and *Agenda for Development* (1994) that a strengthened UN, which can meet the new burdens, requires more secure and predictable financing. The UN Charter mandates these dues. Logically, it should impose penalties on arrears and be able to collect taxes, for example, on arms trading and currency speculation, such as those proposed in this issue, which could yield sufficient revenue to fund all the UN programmes from peacekeeping to health, education, children's and humanitarian aid.²⁵ Issues of restructuring the UN for greater accountability are crucial to its new role. The UN, acting as a convenor and broker, can continue its vital service to the international community by assisting in organizing global commons—thus fostering the formation of new markets to *serve, not control* them. Markets, as the Chinese and others know, are good servants but bad masters, and social markets are emerging in most OECD countries.

Industrialism, now worldwide, is about labour *saving*—resulting in worldwide jobless economic growth, corporate downsizing and automation. At the same time, deficit-strapped governments are unable to continue serving as employers of last

resort (via military spending, public works, jobs and welfare). Only rebalancing tax codes towards neutrality between labour and capital can stem wasteful and often irrational capital investments and reduce the heavy burden of payroll taxes. Globally, capital markets can be made more efficient by shifting taxes on to resource depletion, inefficiency, waste and pollution while reducing income and payroll taxes (calibrated to meet each country's tax code differentials between labour and capital). Such a tax formula could correct prices (by internalizing social and environmental costs) and run economies with a leaner mixture of resources, energy and capital, and a richer mixture of employment. Globally, taxation of currency speculation (collected automatically by all governments as proposed in the 1970s by James Tobin and discussed in this issue by David Felix) is winning much support. This tax should be less than the 0.5% originally proposed, since the volume of speculation is now so huge. Some currency traders are comfortable with a tax of 0.003% or less—even though their trades often involve spreads of only a few basis points.

There are few good arguments against the UN being able to issue its own bonds. The \$700 billion of socially responsible investment demonstrates that many globally concerned investors and bond traders could make a viable market in such UN bonds. This would recognize that the UN has become a mature global institution which provides its 186 member-countries with indispensable services. Unfortunately, a high-level Advisory Group on UN financing convened by the Ford Foundation in 1993, representing many players in the now dying global financial order (including former central bankers Paul Volcker of the USA and Karl Otto Pohl of Germany's Bundesbank), rejected many such pragmatic new UN funding mechanisms. Nevertheless, the debate about democratizing the global financial system in the information age has been joined. Social innovations to enhance UN functions and provide secure financing were debated at the UN World Summit on Social Development in Copenhagen, March 1995.

Many new markets and new commons will provide opportunities in the emerging global playing field (see Figure 2). For example, a new public/private agency, the United Nations Security Insurance Agency (UNISA) could provide a substantial source of revenue for peacekeeping and peacemaking while providing to member-states more security for less money.²⁶ Initial calculations suggest that this new UNISA (a newly organized global commons) could eventually cut countries' defence budgets by as much as 50%; provide enormous new markets for subcontracting insurance companies; and allow former defence budgets to be redirected towards investments in health and education—now recognized, at last, by economists to be keys to development. New agreements can raise the floor under this global playing field by building on the girders already in place, such as the *Agenda 21* treaties and other UN agreements, so that we can build a win-win world where the *most ethical* companies and countries can prosper—together with the growing global civil society.

Notes and references

1. See, for example, *The Economist*, 8 October 1994, pages 85–86; and *The Economist*, 'Beyond Bretton Woods', 1 October 1994, pages 23–27.
2. Hazel Henderson, 'Social innovation and citizen movements', *Futures*, 25(3), April 1993, page 322.
3. *The Economist*, *op cit*, reference 1.
4. *New York Times*, 22 November 1993, page A-1.

5. Hazel Henderson, *Politics of the Solar Age* (Indianapolis, IN, Knowledge Systems, 1988), chapter 4, page 85.
6. Jo Marie Griesgraber (editor), *Rethinking Bretton Woods* (Washington, DC, Center of Concern, 1994).
7. *The Economist*, 26 March 1994.
8. *The Economist*, 1 October 1994, page 96.
9. K E Boulding, *Beyond Economics* (Ann Arbor, MI, University of Michigan Press, 1968).
10. Garrett Hardin, 'The tragedy of the commons', *Science*, 13 December 1968, page 1243.
11. See for example, Frederico Aguilera-Klink, 'Some notes on the misuse of classical writings in economics on the subject of common property', *Ecological Economics*, April 1994, pages 221-228.
12. Henderson, *op cit*, reference 5.
13. Karl Polanyi, *The Great Transformation* (Boston, MA, Beacon Press, 1944).
14. Hazel Henderson, *Paradigms in Progress* (Indianapolis, IN, Knowledge Systems, 1991), chapter 3, pages 97-100.
15. Richard N Cooper, Stephany Griffith-Jones, Peter B Kenen, John Williamson *et al*, *The Pursuit of Reform* (Editor, Jan Joost Teunissen), (The Hague, November 1993), Forum on Debt and Development (FONDAD), (Fax: 31-70-346-3939).
16. Henderson, *op cit*, reference 4.
17. Hazel Henderson, 'Riding the tiger of change', *Future Research Quarterly*, 1986.
18. Henderson, *op cit*, reference 14, chapter 5, page 111.
19. Hazel Henderson, 'Changing faces of work', The 4th Lowell Hallowick/Personnel Decisions Inc Lecture, University of Minnesota, 13 April 1994.
20. *The Economist*, 'How poor are the poor', quoting Elliott Berg, 1 October 1994.
21. *At Work*, 2(6), November-December 1993.
22. See for example, Lewis Hyde, *The Gift* (New York, Vintage, 1979); Vandana Shiva, *Staying Alive* (Led Books, London, and Atlantic Highlands, NJ, 1989); also A Salins, *Stone Age Economics* (Chicago, Aldine Publishing Co, 1972); and Polanyi, *op cit*, reference 13.
23. Hazel Henderson, 'Information; the world's new currency isn't scarce', *World Business Academy Perspectives* (San Francisco, Berrett-Koehler, Fall 1994).
24. Henderson, *op cit*, reference 14, chapter 6.
25. *Human Development Report* (New York, United Nations Development Programme, 1994).
26. Alan F Kay and Hazel Henderson, Policy Department, 'United Nations Security Insurance Agency (UNISA)', available on request from Center for Sustainable Development and Alternative World Futures, PO Box 5190, St Augustine, FL 32085-5190, USA.