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Green Well Fair

Three economies for social justice

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nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G8 summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.



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'Such essays cannot await the permanence of the book. They do not belong in the learned journal. They resist packaging in periodicals.'

Ivan Illich

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Summary

How can we forge a fairer and more equal society to meet the challenges of the twenty-first century? Why do fairness and equality matter when it comes to tackling climate change and the global financial crisis?

This short paper aims to provoke fresh thinking and debate about the policies we shall need for the future. It opens up a new programme of work at **nef** (the new economics foundation) that explores the connections between society, economy and the environment, and draws out their implications for social policy.

Through 60 years of peace and plenty, Britain's welfare system has proved unequal to the task of narrowing inequalities or building a cohesive society. Income and health inequalities are wider than ever; yet **unjust and divided societies are ill-equipped** to take concerted action. A high degree of social solidarity is needed to tackle the profound economic and environmental crises that confront us all today.

Our central premise is that policy and practice must aim for *sustainable social justice*. To achieve this, the welfare system must be transformed. The role of Government will remain central, but we need a new social settlement that depends less on the market economy and instead values and nurtures two other economies – the resources of people and the planet. We consider what must be done to ensure that all three economies – people, planet and markets – work together for social justice.

We suggest a principled framework, review the evolution of Britain's welfare system, and set out six steps, with practical examples, to get things moving in the right direction. We argue for a new social settlement that will:

- 1) promote well-being for all, putting equality at the heart of social policy
- 2) give priority to preventing harm so as to concentrate scarce resources on meeting unavoidable needs
- 3) make the most of the core economy – human resources that are abundant and yet currently undervalued

- 4) seek to make carbon work for social justice, so that measures to reduce carbon emissions help to narrow inequalities
- 5) insist that public services are sustainable
- 6) measures success by valuing what matters in social, environmental and economic term, for the medium and long term.

The depth and urgency of today's environmental and economic crises provide an opportunity for radical change. We must seize the opportunity because our very survival depends on it.



Introduction: 'A revolutionary moment'

When banks collapse, when temperatures and sea levels rise, when food and energy prices soar, people who are poor and powerless bear the brunt. It happens in rich as well as in poor countries. Those in lower income groups are less cushioned against risk and hardship, less likely to have savings or insurance, and less likely to have access to credit at affordable rates. They are often the first to lose jobs, homes and livelihoods. And they are more vulnerable to shortfalls in public services. It is widely expected that recession and government debt will lead to a sharp squeeze on state-sponsored provision across the spectrum from education, health, social care, benefits and pensions to housing, community safety and regeneration. When these are starved of funds, the poor suffer first and most.

There has been some discussion about how to save the banks, how to stop homes being repossessed and how to prevent the recession becoming an all-out slump. **nef** has called for a 'Green New Deal'¹ offering radical solutions to the 'triple crunch' of a credit-fuelled financial crisis, accelerating climate change and an approaching peak in oil production. While these focus on economic and environmental measures, the 'triple crunch' has profound social consequences, too.

Nearly 2 million people lost their jobs in 2008, the largest fall in employment since 1992.² UK food prices rose by more than 11 per cent in the year following December 2007 and energy prices by 38 per cent.³ Poor families now spend a much higher proportion of their income on food and energy, and find it harder to keep up mortgage repayments. In the third quarter of 2008, 11,300 homes were repossessed, with nearly 14,000 repossessions forecast for the following quarter. Extremes of weather, which can be seen as a symptom of climate change, may be socially indiscriminate, but access to insurance against flooding and storm damage is not. After 44,600 homes were flooded in the summer of 2007, most of the thousands still waiting to be rehoused at the end of the year were low-income families.

Meanwhile, income inequalities have worsened. While income growth as a whole has been more equal under Labour than under previous Conservative governments, income inequality is now at its highest level since records began, with incomes at the

very top of the distribution scale ‘racing away’ from the rest.⁴ The ‘triple crunch’ is really a quadruple one, with the crises relating to climate, credit and oil combining to widen the gap between rich and poor.

That’s bad news not just for the poor, but for the future of human civilisation; unjust and divided societies are ill-equipped to take the kind of concerted action that is needed to tackle the economic and environmental crises that threaten us all.

We need a new social settlement: a route to social justice that will meet the challenges of the twenty-first century. That means a radical reappraisal of the welfare system that has evolved since William Beveridge laid its foundations more than six decades ago. Beveridge said of 1942 that it was a ‘**revolutionary moment in the world’s history, a time for revolutions, not for patching**’.⁵ We hold the same to be true today – ours is again a revolutionary moment, although one with very different challenges, so we need a different kind of revolution. And now is certainly not a time for patching.

Britain’s welfare state wields massive power and influence over the shape of society and the fortunes of the country as a whole. And it’s big business. Spending on social benefits and services in Britain accounts for 22 per cent of national income (26 per cent if education is included). Education, health and social care provide 3.3 million jobs. The NHS alone spends more than £90 billion a year,⁶ of which some £20 billion purchases drugs, services and other inputs from the private sector. From its inception, the purpose of the welfare state has been to combat social injustice, to meet social risks and to act as an economic stabiliser. Life in Britain is unimaginable without it.

But through 60 years of peace and plenty it has not managed to narrow inequalities of income or health or to strengthen social solidarity. Now it must cope with the combined threats of environmental catastrophe and imploding global financial systems. So change is essential.

We begin with this proposition: the welfare system in the UK has largely overlooked the two underlying operating systems on which it utterly depends. One is the carrying capacity of the planet: the natural economy that is essential to human survival. The other is the core or human economy: the resources of individuals, families and social networks that sustain society.

Health and social care, education, child care, benefits, housing and all public services depend only partly on the market economy, where money is exchanged for goods and services, yielding profits and taxes. They also depend, crucially, on the resources of planet and people.

These three sources of wealth – people, planet and markets – are entirely interdependent. Any attempt to achieve social justice will founder unless this vital set of relationships is understood and taken into account.

We must therefore redesign our welfare system so that it values and works with the vital operating systems – natural and social – in ways that protect and enhance them both. And it will need a new perspective on the market economy. It cannot rely on continuing growth to provide sufficient finance for public services, or on market mechanisms to ensure their efficiency – because financial markets are less reliable than ever, because markets only reflect and cannot repair inequalities, and because unchecked growth puts the planet at risk.

This short paper aims to provoke fresh thinking and debate about how to forge a fairer and more equal society to meet the challenges of the twenty-first century. The central premise is that policy and practice must aim for *sustainable social justice*. It considers what the UK Government must do – at different levels and through its associated institutions – to ensure that all three economies – people, planet and markets – work together to achieve this aim. In a nutshell, we take sustainable social justice to be defined by the fair and equitable distribution of social, environmental and economic resources between people, countries and generations.⁷

First, we suggest a framework for developing ideas about policy and practice. This helps to explain what we are trying to achieve and how it might be done. Next we consider the development of social policies in the UK over the last 60 years. We then set out six steps towards a new social settlement, followed by more detailed examples that suggest how ideas may be realised in practice.

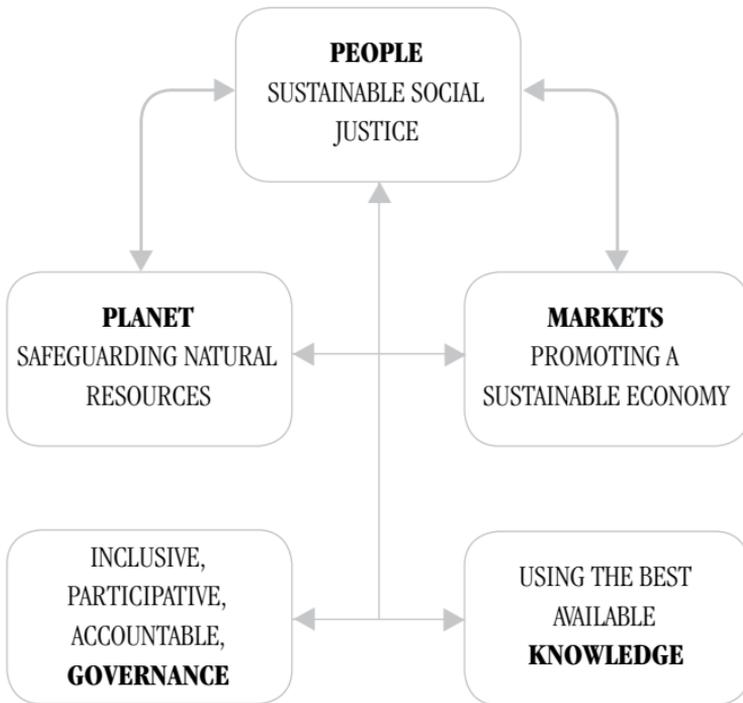


Laying the foundations: A framework for sustainable social justice

What is needed to achieve social justice? The three economies – people, planet and markets – must work together so that they support one another and promote social justice. For this to happen, they must be underpinned by inclusive, participative and accountable governance and by the best available knowledge. The following five principles provide a framework for achieving social justice and making sure that it endures for the future.

- 1. People.** Aiming for sustainable social justice means ensuring a strong, healthy and just society which respects the diverse lives, needs and assets of all people now and in future generations. This is an ethical imperative, which requires the fair distribution of power, resources and opportunities to promote, as far as possible, equal life chances and well-being for all. It is also a practical necessity because a high degree of social solidarity is essential to bring about the kind radical transformation that is required for a sustainable future.
- 2. Planet.** Essentially, social justice must respect the limits of the planet's natural resources. This is a practical necessity as well as an ethical imperative. Measures to promote equal life chances and well-being for all must be designed so that they help people to improve their environments and to safeguard the natural resources on which human life depends, now and for future generations.
- 3. Markets.** Social justice will always depend not only on the planet's natural resources, but also on a strong, stable and sustainable economy in which markets play a vital role. But markets should be fostered and regulated so that they enhance rather than undermine the well-being of people and the planet. This is a practical necessity.
- 4. Governance.** Social justice will only be achieved if it is underpinned by inclusive, participative and accountable systems of governance. This means actively engaging the creativity, energy, and diverse resources of all kinds of people, enabling them to define and realise the lives they wish to live.

5. **Knowledge.** Finally, efforts to promote social justice must draw upon the best available knowledge. Social policies should be built on robust evidence, where it is available, and should help to build the evidence base where it is weak. Yet policy-makers must be alive to scientific uncertainties, and pay equal attention to wisdom based on lived experience, and to the attitudes and values of people in all walks of life.



This framework is based on the five principles for sustainable development published by the UK Government and devolved administrations in 2005. These constitute a shared, overarching approach for policy-making across the UK. *Securing the Future*, the Government's White Paper on sustainable development, says: 'For a policy to be sustainable, it must respect all five of these principles... Any trade-offs should be made in an explicit and transparent way. We want to achieve our goals of living within environmental limits and a just society, and we will do it by means of a sustainable economy, good governance, and sound science.'¹⁸ Without sustainable policies, human societies will not thrive in the medium term and may not survive in the long term.

Changing times and challenges: From post-war to post-crunch

How have ideas about a welfare system for the UK evolved and how do **nef's** proposals compare with earlier models? In this section we analyse the **ideas, assumptions and trade-offs that have shaped post-war welfare states.**

1945–1979: a ‘social democratic’ settlement

In 1945, the British welfare state was built on a settlement between liberal and socialist reformers and economists, who maintained that ‘state welfare combined with neo-Keynesian economic management supported economic progress and enhanced social stability’.⁹ In a country ravaged by war and class inequality, this ‘social democratic’ settlement represented a necessary compromise between state, labour, and capital, and between the values of liberty and equality. It was designed to provide a degree of social and economic security against specific social evils – the ‘five giants’ of idleness, squalor, disease, ignorance and want. It assumed a certain amount of power sharing between organised labour, state, and business, as well as industrial growth, full male employment, a family wage, and women’s commitment to home and family.

The role of the state was to facilitate the relationship between economy and society, and to redistribute wealth and opportunity. Social justice was to be achieved through taxation and national insurance, which would provide health, education and social security to those who needed it.

This model of a ‘social insurance state’ began to break down in the 1970s. The structures of society were changing, rendering many of its framing assumptions untenable. No corporatist solution could be found to rocketing inflation, high levels of public spending, and growing labour unrest.

1979–1997: a neo-liberal challenge

When Margaret Thatcher entered government in 1979, a fresh cohort of ‘new right’ intellectuals and politicians challenged this increasingly fragile social democratic consensus. They adopted a neo-liberal approach to economics, and introduced conflict into the dynamic between economy and society. The new right blamed the ‘dependency culture’ of the welfare state and excessive trade union power for the failure of social democracy. They insisted that individuals and families should be free to look after themselves with a residual welfare state for those who could not. The idea of ‘big government’ was discredited, market mechanisms were introduced into public services, and a new economic individualism seeped into public consciousness.

The ‘new right’ disrupted the values of previous Labour and Conservative governments and reshaped the ideas and institutional practices of the welfare state. They broke down the social democratic consensus as it had been manifested in the language of policy-making, in media and culture, and in the ways individuals saw themselves in relation to others. They challenged the idea of collective responsibility and helped to shape a new social world in which the interests of individuals as tax payers and consumers were paramount, taking precedence over any commitment to equality or social justice.

The neo-liberal model accepted inequality as inevitable, while claiming that the poor could ultimately benefit from the trickle-down of wealth from a thriving market economy. Its protagonists maintained that individuals were liable for their own poverty and should take back responsibility from the state for their well-being, while a free market would provide most of what individuals required.

1997–2008: a ‘third way’

New Labour came into power in 1997 suggesting a ‘third way’ beyond pro-state and pro-market strategies, gliding over ideological differences between them. Rather than pointing to the economy as the generator of social inequality, it placed responsibility for creating a more stable and cohesive social order with individuals and communities, supported by a ‘social investment state’.¹⁰ While the post-war settlement supported the redistribution of economic wealth in the interests of social equality and social mobility, the ‘third way’ espoused a partnership between state, market and community. It claimed to counteract neo-liberal individualism by building strong families and communities. It drew on communitarian ideas and developed a new

narrative that replaced inequality and poverty with social exclusion and cohesion, emphasising consensus and stability rather than conflict.

But although the rhetoric focused on individuals, families and communities, New Labour's 'third way' settlement was shaped and driven by a strong pro-market rationale.¹¹ Sharing the new right's enthusiasm for a flexible labour market and a largely unregulated market economy, Labour's social policies were intended to create an ordered and flexible society that would support and sustain global capitalism. The narrative of the 'third way' disconnected social problems from their economic causes. An emphasis on individual behaviour meant that individuals were 'expected, pushed and pulled to seek and find individual solutions to socially created problems, and to implement such solutions individually, with the help of individual skills and resources.'¹²

Beyond 2008: three economies for social justice

The welfare system that we envisage has different aims and assumptions from the three earlier models. All of them put faith in continuing economic growth to provide funds for public services and income transfers – benefits, tax credits and pensions. They begin with a deficit approach to the core or human economy, working from the premise that people are primarily a source of problems to be solved by the state and/or the market. They pay no regard to the natural economy.

By contrast the 'three economies' model makes no assumption that the market economy will grow. It plans for low growth – both because it is likely and because the planet cannot sustain continuing growth, least of all in rich countries.¹³ It also plans for zero-carbon development, because that is the only way to live within the Earth's natural resources on which human life depends. No life, no life chances, no well-being.

Equally important, it regards people differently. It works from the premise that people are not merely repositories of need or recipients of services. They are more than a workforce that must be nurtured for a productive economy. They are not merely consumers who must go on shopping to keep the global market growing. Nor are they just welfare customers choosing from a market of services. They cannot be reduced to 'communities' responsible for their own problems, where 'social capital' must be

accumulated to combat dysfunction, decline and disorder.

Instead, the ‘three economies’ approach to social justice recognises that all people, regardless of income, background or circumstance, have assets not just problems. Every individual generates a wealth of knowledge, experience, capabilities, ideas and relationships – and thus has something valuable to contribute. Policy-making for social justice must start with this understanding and develop in equal partnership with those who are intended to benefit, so that all are subjects, not objects in the process.

Britain has enjoyed unprecedented prosperity and a sustained record of social policy interventions that most people value and many regard as the envy of the world (obvious examples include free health care and education, as well as child and family support). Yet society remains inherently unjust and increasingly divided. If the welfare system has failed to deliver social justice in the long years of plenty, there will be no hope for social justice in the face of new economic and environmental threats – unless the system is radically transformed.

The central purpose of a twenty-first-century welfare system is not to eliminate specific social evils from the workforce, or to give people free choice in the market place, or to strengthen ‘communities’. It is to harness and distribute the resources of the ‘three economies’ in order to enable all people to live their lives in ways that are satisfying and sustainable.^{14, 15} Working out how to do this is a huge challenge. At its heart are urgent questions about how resources and power are distributed, and how people value and relate to one another. What’s required is a **new settlement between social, environmental and economic interests**, reshaping the process of policy-making across the three spheres.



Getting started: Six steps towards sustainable social justice

At **nef** we have begun to envisage a welfare system that is fit for the twenty-first century. This work is in the early stages and many of the ideas need further scrutiny and development. Our aim here is to open up a wider debate. To that end, we set out below six steps that seem to us to point in the right direction – towards sustainable social justice.

- 1. Aim for well-being for all** as the primary objective of sustainable social justice: it is what a socially just welfare system seeks to achieve. The concept of well-being for all is more than health and happiness. It is not measured by how much money we have or what we consume. It's about flourishing – **physically**, socially and psychologically – not just now but in the medium and long term. The capacity to flourish cannot be a luxury for the better off. The key phrase here is 'for all'. If we take this seriously, and we must, then equality is central to our agenda.

Promoting well-being for all requires much more than a passing nod at equal opportunity. It means every individual being able to engage in society, to act and do, to have a sense of purpose and to fulfill their potential. There is strong evidence that unequal societies are less conducive to well-being, not just for the poor but for all income groups.¹⁶ So we want a welfare system that creates conditions that enable everyone to flourish. It must tackle **the complex** and often intractable factors – economic, social and environmental – that distribute 'life chances' unequally, leaving some poor, powerless and insecure, while others are prosperous, self-confident and powerful. It must get the 'three economies' working together to eliminate avoidable risks and disadvantages and to compensate for those that are unavoidable.

- 2. Put prevention before cure.** This is the hallmark of sustainable social justice and it requires a very significant shift of emphasis. Today's welfare system is buckling under the strain of dealing with social problems once they have arisen. Prevention is part of the rhetoric and even sometimes part of the

planning, but it too often takes second place in practice, because of pressures to achieve short-term political goals and cost savings, and because prevention often depends on cross-sectoral policies that are more complex to plan and implement. Yet failure to prevent avoidable needs arising is unsustainable, unethical and unjust. Unsustainable because in a low-growth or no-growth economy, there will be less money to pay for public services: of funds for meeting needs that cannot be avoided should not be wasted on meeting those that could have been prevented. Unethical because avoidable risks – including obesity, mental illness, homelessness, incarceration and educational underachievement – undermine people’s well-being. Unjust because the burden of risk falls most heavily on the poor.

A system that gives priority to prevention will have a different framework for decision-making – one that recognises the value of investing in upstream measures, where benefits accrue across sectors and over the longer term. It will seek to prevent ill-being and to promote resilience by addressing the underlying causes of unequal opportunity and tackling avoidable risks to physical and mental health. It will invest to prevent the waste of human potential by fighting poverty and entrenched patterns of unemployment. It will act to prevent wealth escaping from poor neighbourhoods by keeping resources circulating locally, through support for local businesses and trading within communities. It should go hand in hand with the regulation of financial systems to prevent profiteering that undermines social justice. And of course it must prevent damage to the environment – most urgently, climate change.

Sometimes, the same measures can prevent both ill-being and environmental damage – for example, where health professionals encourage people to walk or cycle, promoting better health through physical exercise while at the same time cutting carbon emissions. A welfare system that aims for sustainable social justice will seek out these and similar opportunities. There’s a double prize for getting it right – more well-being for all, while public services are safeguarded for the future.

- 3. Grow the core economy**, as the best way to bring new resources into the welfare system. We cannot expand the natural economy (indeed we need to use less of it). We can no longer assume that a growing market economy is likely or desirable. But we can grow the core economy – the abundant wealth of human and social resources that are largely neglected by today’s welfare system. These resources are embedded in the everyday lives of every individual – time, wisdom, experience, energy, knowledge, skills – and in the relationships between them

– love, empathy, watchfulness, care, reciprocity, teaching and learning. They make the world go round. They are mainly unpriced and unvalued. In large part, they have been deployed by women – not because they belong naturally to women, but as a result of long-standing gendered divisions between paid and unpaid labour.¹⁷ To grow the core economy, employment policies, income support, childcare, and family support must be re-designed to nurture these resources by valuing them and supporting their development.

Co-production is central to the process of growing the core economy. It goes well beyond the idea of ‘citizen engagement’ or ‘service user involvement’ to foster the principle of equal partnership. It offers to transform the dynamic between the public and public service workers, putting an end to ‘them and us’. Participants are no longer either ‘providers’ or ‘users’. Instead, people pool different kinds of knowledge and skills, based on lived experience and professional learning, to co-produce well-being for all.

Becoming equal partners or ‘co-producers’ instead of ‘users’ can transform people’s relationship with their own well-being, as well as their experience of public services, because it enables them to feel valued and to have more control over what happens. At the same time, by **working in equal partnership with those** they are supposed to serve, public services can dramatically increase their resource base, radically transform the way they operate, and achieve better outcomes.

Co-production brings together formal and informal resources, recognising that every individual has assets that are beyond price, without which human needs cannot be met. It is not about shifting the burden of meeting needs from the state to individuals, or exploiting unpaid female labour, but making the best use of all resources – building resilience by helping the core economy to grow.

The core economy is plentiful, dynamic and sustainable. Growing it helps to achieve steps one and two: promoting well-being for all and preventing needs arising.

- 4. Make carbon work for social justice.** The urgent need to tackle climate change cannot be marginal to a welfare system that aims for sustainable social justice. It must be embraced as a mainstream opportunity. For example, concerted public investment in ‘green collar jobs’ can help unemployed people get into paid work. High priority must be given to developing appropriate skills and opportunities so that they can earn a living by insulating homes, building renewable energy sources, and developing the green technologies that are essential for a sustainable future. This helps to build a low-carbon economy

and at the same time boosts the income, autonomy and security of those who would otherwise be jobless.

It is also worth exploring the potential for a new approach to redistributing carbon and income. We cannot allow carbon reduction schemes to penalise the poor; instead, we want them to help narrow inequalities. Indeed, we must use this opportunity to reinvigorate concerns about equality and distribution. So we should consider aligning systems for redistributing income – tax and benefits – with new systems for reducing carbon emissions – whether by rationing, budgeting, trading or taxing. **Carbon-reduction measures should not only be proofed against having a regressive effect, but should also help to reduce social and economic inequalities.** Similarly, measures to combat poverty and social disadvantage should not only be proofed against increasing carbon emissions or other environmental damage, but should make a positive contribution to tackling climate change and safeguarding the natural economy.

- 5. Make public services sustainable.** Public service organisations – hospitals, schools, town halls, prisons and all the institutions of the state – deploy huge public resources (the NHS alone spends £90 billion a year) and wield very considerable power and influence. They must lead by example. This means going well beyond ‘green housekeeping’ (which is nevertheless important), to behave in ways that are consistent with the principles of sustainable social justice.

Sustainable public services will give priority to cutting carbon, aiming for zero emissions. They will manage waste and water to safeguard the environment and use renewable materials in building and repairs. They will promote the well-being of their staff and engage people locally in planning, designing and co-producing services. They will promote active travel and public transport, encourage physical exercise and healthy eating, improve and invest in the use of green spaces, and promote local food production and other local enterprise. They will focus on enabling people to flourish and preventing needs arising.

This approach has been pioneered in the health sector and in schools. But in both cases it depends on voluntary action by individual enthusiasts and there are no strong incentives to comply, so performance is patchy and weak in many areas. It should be further developed, audited alongside financial performance, and extended as a duty across all public services, with rules that govern commissioning and procurement brought into alignment, so that independent contractors are also obliged to behave sustainably.

- 6. Value what matters.** Finally, a welfare system that aims for sustainable social justice must be judged by measures that are consistent with the framing principles. Accordingly, the longer-term social, economic and environmental returns from public investments should be brought on to the balance sheet. It should be routine to evaluate services by their impact on the ‘triple bottom line’, reflecting the three economies (people, planet, markets). These will sometimes be in conflict, so it is important that tensions and trade-offs are made explicit and assessed in relation to one another. At the same time it should be recognised that public investment can lead to intended and unintended negative consequences – socially, environmentally and economically. These must be accounted for, with action taken to minimise the risks.

This implies a profound change in the way investment decisions are made. It will require cross-sectoral planning, investment and evaluation within time horizons that reflect the real pace of change, as well as new macro-economic modeling of the public sector. **Current patterns of short-term, cost-driven decision-making** – so-called ‘efficiencies’ – must give way to more broadly based investments that aim for longer-term social and environmental returns, and which allow for benefits to accrue over longer periods of time and across different sectors.



From theory to practice: Making it real

We have set out a principled framework and six steps that point towards sustainable social justice. But how far is any of this achievable? And what would it look like in practice? In this section we draw primarily on work at **nef**, (adding information from other organisations in areas where **nef** has been less actively involved), to describe more detailed development of key ideas as well as practical experience. There are countless other examples to be drawn from ground-breaking work elsewhere, in the UK and internationally, but for space reasons we have confined ourselves to these, simply as a way of showing how the vision can be achieved, in small steps, at local and national levels.

Well-being for all

For this idea – well-being for all – to be embedded as a core goal in a twenty-first-century welfare system, it must be understood in terms that make it possible to build a broad consensus around it. It should also be measurable, employing methods that are accessible and that support the consensus. And it must stand the test of practical use to design services and define outcomes.

Understanding well-being

nef has set out a dynamic model of well-being that takes account of the relationships between an individual's feelings, functioning, conditions and resources. This takes account of the complexity of the concept and the relationships between these components.¹⁸ A complex idea can nevertheless be broadly understood and accessible. In 2008, **nef** produced for the Government's Foresight Project on Mental Well-being, 'five steps to well-being', based on an interdisciplinary review of evidence from more than 400 scientists across the world.¹⁹ The five steps are summarised as 'connect, be active, take notice, keep learning and give'. As **nef** makes clear, the challenge for governments is to create the conditions within society that enable individuals to incorporate these and other positive activities into their daily lives. The key point for social justice is that opportunities for well-being must be evenly distributed across

social groups, which means challenging the massive concentrations of wealth and power that currently undermine well-being for all.

Accounting for well-being

The case for measuring well-being, for developing effective indicators, and for using these to measure progress, is set out in **nef**'s report *National Accounts of Well-being*.²⁰ It argues that capturing how people feel and experience their lives can help to redefine notions of national progress, success and what we value as a society. This is all the more urgent in times of increasing economic, social and environmental uncertainty. A 2007 survey of ten countries including the UK suggests there is wide popular support for this approach. Three in four respondents thought that data on health, society and environment were as important as economic data for assessing national progress. Our report recognises that well-being is highly complex, demanding a suitably textured approach to assessment, and suggests how this can be achieved. It argues that if governments produce National Accounts of Well-being this will help them to develop a more rounded and informed approach to policy-making, and will resonate with what people care most about. Some local authorities are considering auditing services across the 'five ways of well-being' to highlight the extent to which their current services support opportunities for individuals to increase or maintain their well-being. Well-being accounts can also uncover unexpected disparities between countries and between groups within countries.

Practical application: investing in children's well-being

Promoting and accounting for well-being are the central focus of a new project undertaken by **nef** and the charity Action for Children. It explores ways in which government policy and local services can promote well-being and resilience among children, young people and their families, and considers the costs and benefits of early intervention and a preventative approach to service delivery. In 2009, we shall bring together children, young people and their families, with researchers, policy-makers and practitioners to identify ways of shifting service delivery to a more preventative model, to deliver long-term social, economic and environmental savings, and to co-produce better outcomes for children themselves.

Prevention before cure

Giving priority to preventing harm should be a defining thread that runs through all aspects of a twenty-first-century welfare system. Growing the core economy (explored below) will build resilience and help to prevent needs arising. Here, we point to other examples of prevention in practice that could merit further development.

Two for the price of one: preventing ill-being and damage to the environment

Measures that prevent ill-being at the same time as preventing damage to the natural environment are explored by the UK Sustainable Development Commission in *Health, Place and Nature*.²¹ More specifically, evidence suggests that an integrated approach to preventing chronic disease and climate change can help to create ‘virtuous circles’, especially where public policies focus on promoting opportunities for lower income groups. Examples include encouraging sustainable and active travel, fresh, affordable, locally produced food and public access to high-quality, natural environments. In each case, one intervention brings a double benefit – preventing mental and physical ill-being, and reducing carbon emissions.²² What’s needed now is to bring this approach into the mainstream of public sector planning. In a low-growth or no-growth future, public funds should be used wherever possible to prevent harm on two or more fronts at once.

Embedding a preventative approach through personal health planning

A new approach to preventative health planning was floated by the King’s Fund in 2004 and found partial expression in the White Paper *Choosing health: making healthy choices easier*, published the same year.²³ It has yet to be developed and implemented.

The key idea (which did not emerge fully in *Choosing health*) is that everyone can have a personal health plan from cradle to grave. The plan is a vehicle for people to record, in their own terms, with input as necessary from health-care professionals, the current state of their health and well-being, what needs to be done (if anything) to improve or safeguard it, what action should be taken by the individuals themselves, and what other action and support is needed from health and local government services and from other sources.

It is not a surveillance tool because it is held at the individual’s discretion. Unlike patient records, its default position is well-being rather than illness. At key life stages, as well as (but not only) when problems occur, people visit their local doctor’s surgery

to check out their current state of health, to review how well the plan has worked so far, to discuss what needs to happen next, and to bring the plan up to date. When people get ill, the plan will record their diagnosis, treatment and care. Wherever possible it will also include a shared assessment of how these have affected the individual concerned.

The personal health plan is in fact a tool for co-producing health that lasts a lifetime. It may be stored electronically or on paper, always accessible by the individual who holds it. It provides a knowledge base for the plan holder and for health professionals, enabling them to work together for better health and well-being.

nef is keen for this approach to be further developed and tested in practice. Personal health planning along these lines offers to transform the relationships people have with health services, from one based on professionals providing patients with treatment and care when they get ill, to one based on an equal partnership aimed at preventing illness and promoting well-being.

Grow the core economy

Finding practical ways to grow the core economy – which means realising and strengthening human and social assets that belong to individuals and communities – has been a major component of **nef**'s work for many years. We have developed training for practitioners, a model for co-designing services and an auditing process to help people reflect on how they understand co-production principles and put them into practice. Here we focus on three initiatives: developing locally based exchanges of human resources, known as 'timebanking'; co-producing public services; and building resilient local economies.

Timebanking

In 2008, **nef** reported on ten years' experience of timebanking in the UK, setting out different models and practical examples. *The new wealth of time*²⁴ argues that timebanking recognises that everyone, including those defined as disadvantaged or vulnerable, has something worthwhile to contribute. It enables people to exchange their time and resources, and values everyone's time equally; it encourages reciprocity as a way of generating trust between people; and it fosters mutual and equitable exchange. Trust, reciprocity and equity are seen as fundamental building blocks for positive social relationships, strong local networks, and healthy communities. The report demonstrates that timebanking can help people with mental health problems to look after themselves and each other; it can regenerate disadvantaged

communities, reduce isolation, and improve the health of older people; it can prevent young people being criminalised and rehabilitate prisoners. In each case it achieves this by recognising the skills and resources that people bring and invests in developing diverse social networks. It shows that timebanking is a tool that can be used to bring co-production into public services (see below).

Co-producing public services

Central to our ‘three economies’ approach to social justice is the proposition that public services must not only respect the limits of the natural economy, but must also find new resources in the human or core economy, in order to be sustainable in a low-growth or no-growth market economy. Co-producing public services can release those human assets for the benefit of individuals and society as a whole. It gives people more autonomy and control in safeguarding and improving their own well-being, and helps to ensure the effectiveness as well as the long-term viability of public services. *Co-production: a manifesto for growing the core economy*, produced by **nef** in 2008,²⁵ argues that genuine co-production will always define public service ‘clients’ as assets who have skills that are vital to the delivery of services. It identifies the key elements of co-production, which include dissolving the distinction between producers and consumers of services, allowing public service agencies to become catalysts and facilitators, and using peer support networks instead of just professionals to define and meet people’s needs.

nef has developed a model for sustainable commissioning of public services, which incorporates co-production techniques to improve public service outcomes for service users. The model has already been successfully piloted with day-care services for people with mental health problems in the London borough of Camden.²⁶

Building resilient local economies

Poverty and powerlessness can sap the strength of individuals and social networks. Conversely, an important way of strengthening the core economy is to enable people to have more control over material assets in their own neighbourhoods. **nef** has developed a tool, *Plugging the Leaks*,²⁷ to help people understand what is going on in their local money economy and get involved in decision-making. It uses the image of a leaky bucket. Conventional social policies rightly assume that ‘poor areas’ need more money. However, like water being poured in, money entering a local area soon escapes if only a small proportion of it is re-spent locally. The *Plugging the Leaks* process explores how money enters an area, how it leaks out, and what action will plug those leaks.

Make carbon work for social justice

Measures to tackle carbon emissions and measures to promote social justice tend to be developed and implemented separately and they sometimes conflict. Following the logic of the ‘three economies’, we propose that all efforts to tackle climate change and social injustice should be genuinely sustainable and mutually reinforcing. Practical examples are not plentiful. Here we describe an opening dialogue between the two ‘camps’ and some pointers towards opportunities in employment, local carbon-reduction strategies and income transfers.

Opening a dialogue

nef has collaborated with Oxfam and other organisations to establish a roundtable on poverty and climate change. This aims to find common ground between pro-environmental and anti-poverty bodies, to identify synergies and share knowledge about practical projects that bring the two sets of objectives together. A report from the roundtable, *Tackling Climate Change, Reducing Poverty*, was published in January 2009.²⁸ It provides case studies of practical work in energy, housing, livelihoods, health, food and transport, and points towards a strategy that would ‘alleviate poverty and tackle climate change’.

‘Green’ jobs

A growing number of local projects help unemployed people find jobs that promote a sustainable environment. For example, for more than two decades, Glasgow Heatwise has involved unemployed people in insulating homes in the city’s most disadvantaged housing estates – providing training and jobs, building skills and knowledge, increasing the disposable income of poor families by cutting fuel bills, and reducing carbon emissions.²⁹ But so far projects such as these tend to be disconnected, marginal, insecurely funded, and lacking any strategic government overview .

The UK Government’s pre-budget report in November 2008 pledged £500 million for a ‘green stimulus’ package, including £100 million to help low-income homeowners cut their energy bills, through the Warm Front programme. But this looks insignificant beside the \$150 billion pledged for investment in ‘green collar jobs’ by US president Barack Obama. A detailed analysis of the likely effects of investing \$100 billion in a US ‘green recovery’ programme (before Obama’s pledge) estimated a 2-million reduction in the number of unemployed. The study showed that pro-environmental investment could create more jobs and keep more money circulating in local economies than investment in carbon-intensive industries.³⁰

In Germany, at least 134,000 jobs in renewable energy have been created so far, a development attributed to Germany’s renewable energy law, which gave a big stimulus

to investment. At the same time renewable energy sources accounted for 14.2 per cent of the gross electricity consumption in Germany in 2007 – an increase of 20 per cent from 2006, enough to power a city the size of Hamburg.³¹ The impact of this investment on social and economic inequalities has not yet been calculated.

In the UK, in spite of 15 years of sustained economic growth, inequalities have widened and pockets of severe deprivation have developed. Research by **nef** has shown that, between 2002 and 2007, only four percent of deprived areas increased their enterprise share relative to England, while the share of benefit claimants rose in 84 per cent of the most deprived neighbourhoods, relative to their local authority. A continuation of existing policies aimed at stimulating enterprise is unlikely to reverse these trends and the most deprived communities are also the ones that are least well placed to weather the current economic crisis.³²

There is a strong case now for a much larger, bolder and more clearly focused investment programme in the UK. More work is needed to study the likely effects of such investment in social, economic and environmental terms, and to learn from practical experience, so that ‘green’ jobs really do become a driving force for economic and social renewal.

Local carbon-reduction strategies

There are many local initiatives to reduce carbon emissions at a neighbourhood level. More than 120 UK towns and cities have joined the *Transition Towns* movement, where communities work together to address the challenges of climate change and peak oil. Local groups look across social, environmental and economic issues at key areas of life including food, energy, transport, well-being and livelihoods, to increase resilience and reduce carbon emissions.³³ Another example, *Our Sustainable Neighbourhood*, is a practical, action-planning tool developed by **nef** as part of the *Plugging the Leaks* project outlined above. This has been piloted by eight local authorities in different parts of England. It explores the flows of resources into and out of a community – particularly energy, water and consumer products – and identifies enterprising ways to reduce, reuse, recycle and substitute those resources.³⁴

There are 12 proposed sites for building the Government’s new ‘eco-towns’, where new homes will be built for low or zero-carbon emissions, with local travel and energy sources designed to keep carbon emissions to a minimum.³⁵

What’s needed now is concerted action across the country to ensure that these initiatives learn from each other, especially from *Transition Towns*, taking a ‘three economies’ approach so that action to reduce carbon helps to promote social justice.

Redistributing carbon and income

Research by the Policy Studies Institute has explored ways of reducing the regressive effects of environmental taxation relating to home energy efficiency³⁶ and transport.³⁷ At the Institute for Public Policy Research (ippr), research is underway to study ‘how the tax system can be reformed to be both fairer and more environmentally friendly’,³⁸ and whether ‘personal carbon trading is the best option for tackling climate change’.³⁹ **nef** wants to build on this and other work to consider the longer-term feasibility of broader integration, so that measures aimed at carbon reduction help to reduce income inequalities, while taxes and benefits are designed not only for income redistribution but also to encourage carbon reduction.

For example, can incentives to enter paid employment be aligned with incentives to cut emissions, backed up by support to enable people to alter their behaviour, and with opportunities to work in the ‘green economy’? Can payments to pensioners be adjusted to enable them to save energy, rather than simply pay for more fuel? Can interventions be made to enable pensioner households to generate energy and sell some of it back to the national grid – as a source of income to supplement pensions? These and other options should be urgently explored.

Sustainable public services

How public services spend their money will have a decisive impact on sustainable development and social justice. They need to work with the three economies – people, planet and markets – to promote well-being for all, as well as to safeguard their own capacity in the medium and long term. It is already government policy that public sector organisations should take the lead in promoting sustainable development.⁴⁰

We focus here on how this ambition can be realised in practice by embedding sustainable development in health and social care and by promoting sustainable commissioning.

Embedding sustainable development in health and social care

The Department of Health, working with the UK Sustainable Development Commission, has produced a resource to help NHS organisations deploy their resources sustainably. More than 50 per cent of NHS trusts have now signed up to use this *Good Corporate Citizenship* self-assessment model.⁴¹ The Department for Children, Schools and Families has produced a similar model, *S3: Sustainable*

School Self-evaluation, along with guidance and other resources to help schools improve their performance.⁴²

For healthcare organisations and schools, action is voluntary and unevenly spread across the country. For local government, by contrast, new statutory guidance in 2008 imposes a duty on every local authority to prepare and implement a *Sustainable Community Strategy*. The guidance specifies that: ‘sustainability should be at the heart of decisions taken on the content of the strategy... economic, social and environmental priorities should therefore demonstrate how they support each other in an integrated way. The strategy should also address the area’s longer-term needs and those issues which affect the area that can only be addressed by looking across boundaries.’⁴³ This is backed up by the regulatory framework of the *Comprehensive Area Assessment*, which is defined as ‘inherently about sustainability’.⁴⁴

There is strong policy support for sustainable public services. The challenge now is to realise the scale of ambition, making sustainable development an essential component of a twenty-first-century welfare system. This means moving beyond voluntary action by individual enthusiasts to embed ‘triple-bottom-line’ auditing and decision-making across the public sector to ensure systemic change.

nef is working with a group of health-care organisations in south-east London to help them to embed ‘good corporate citizenship’ as they bid to become an international Academic Health Sciences Centre.⁴⁵ The consortium is profiling and mainstreaming the individual examples of good practice already in place across the partners, and introducing practical projects aimed at promoting physical exercise, sustainable procurement and well-being.

In addition, **nef** is working with the UK Sustainable Development Commission and others to explore the potential for developing ‘good corporate citizenship’ in the field of social care.

Sustainable commissioning

nef has developed a model for sustainable commissioning, designed to help public sector organisations understand the longer-term impact of their spending and identify ways in which more sustainable, joined-up procurement can help to achieve positive social, economic and environmental outcomes. This is currently being piloted by the London Borough of Camden, where three local voluntary organisations joined together to bid successfully for a £2-million tender to deliver mental health day-care services. Theirs was not the cheapest tender on offer, but the local authority estimated that their focus on service-user and community involvement, combined with wider

social and economic benefits, would create the most positive outcomes and best value for money.

The *Sustainable Commissioning Model* stimulates innovation by letting providers describe themselves, their planned activities and the outputs they think will create the outcomes the commissioners want. It also requires them to specify how the service will meet wider, community-level outcomes. It is designed to ease the administrative burden and is set out in a report produced by IdeA in September 2008.⁴⁶

Valuing what matters

How a 'three economies' welfare system is judged for success or failure is, of course, critical. Criteria for evaluation and systems of assessment determine not just whether interventions and programmes are considered to have 'worked'; they legitimise and promote a set of values on which judgements are based and they shape future decision-making. Current assessments of public sector interventions depend on an analysis of costs and benefits that is narrow and short-term. Here we describe a different approach that considers social and environmental as well as financial returns on investment.

Measuring what matters

Measuring What Matters is a **nef** programme investigating how government policy-making could be improved by measuring and valuing what matters most to people, communities, the environment and local economies. It seeks to move away from a culture within government that is short-term and target-driven to one that enables the pursuit of real and sustainable social, environmental and economic well-being. The programme has piloted the use of Social Return on Investment (SROI) across different policy areas, including sentencing for women offenders and children in residential care.

For example, this research found that investment in community-based support for women offenders, though potentially more expensive than custodial sentences in the short-term, generated longer-term social and economic benefits, especially for the children involved, that outweighed the costs by £100 million over ten years.⁴⁷ Another study found that for every additional pound invested in higher-quality residential care for children, between £4 and £6.50 worth of additional social value is generated. Aggregated across the whole population of young people in residential care, the total value is equivalent to almost £700 million over 20 years – enough to pay for the country's entire annual bill for children in care.⁴⁸

nef is now working with a consortium of organisations on a project funded by the Office of the Third Sector to develop this approach to evaluation for third sector providers and commissioners. SROI provides a useful framework for negotiating the interplay between the ‘three economies’ and further work will take place to apply it to new policy areas, such as energy, transport and youth justice.



Afterword

As William Beveridge said more than 60 years ago, now is ‘a time for revolutions, not for patching’. We face a very different set of challenges. Instead of emerging from the trauma of the Second World War, we are trying to avert an even more serious catastrophe threatened by climate change and imploding global capitalism. These times provide an unparalleled opportunity to think afresh and to be ambitious – and we can’t afford to miss that chance because all of our lives depend on it.

We hope that this opening salvo will provoke plenty of argument and new thinking. Over the coming months **nef** will be reaching out to people who want to engage with us in this debate; we will be working to put more flesh on the bones of the ideas set out in this short paper.

We gratefully acknowledge the Hadley Trust which is supporting **nef**’s new programme of work on social policy, making it possible to open this discussion. We particularly thank Ian Gough for his sterling advice on successive drafts. We are also grateful to Lucie Stephens, Eilis Lawlor, Eva Neitzert, Sam Thomson, Stephen Spratt, Stewart Wallis, Andrew Simms and Elizabeth Cox for their very helpful comments and contributions.



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A Green New Deal



In July 2008, **nef** published the Green New Deal on behalf of the Green New Deal Group.

Britain faces a 'triple crunch,' a combination of a credit-fuelled financial crisis, accelerating climate change and soaring energy prices underpinned by an encroaching peak in oil production. These threaten to develop into a perfect storm, the like of which has not been seen since Great Depression. To help prevent this, a group of specialists in finance, energy and the environment, meeting since early 2007 came together to develop a proposal for a Green New Deal.

It is a massive environmental transformation whose economic boost will insulate us against recession, while delivering the rapid transition needed if we are to play our role in averting runaway climate change. International in outlook, the Green New Deal requires action at local, national, regional and global levels. Focusing first on the specific needs of the UK, the Green New Deal outlines an interlocking programme of action that will require an ambitious legislative programme backed by a bold new alliance of industry, agriculture, labour and environmentalists.

The Green New Deal Group

The Green New Deal Group is, in alphabetical order: Larry Elliott, Economics Editor of *the Guardian*, Colin Hines, Co-Director of Finance for the Future, former head of Greenpeace International's Economics Unit, Tony Juniper, Environmentalist and former Director of Friends of the Earth, Jeremy Leggett, founder and Chairman of Solarcentury and SolarAid, Caroline Lucas, Green Party MEP, Richard Murphy, Co-Director of Finance for the Future and Director, Tax Research LLP, Ann Pettifor, former head of the Jubilee 2000 debt relief campaign, Campaign Director of Operation Noah, Charles Secrett, Advisor on Sustainable Development, former Director of Friends of the Earth, Andrew Simms, Policy Director, **nef** (the new economics foundation).

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