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Economy of degrowth and localization:
theories and perspectives

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Introduction

The concept of growth has always been presented with a positive meaning. In policy making it is a means to assure stability, socially desirable effects and accumulation of wealth. In political economy, growth is a tool to attract foreign investments, to reach full employment and break-even (or surplus) in public budget. In public speeches “growth” is always mentioned as something desirable and essential. The success of an economic policy is measured basing on the positive effect on GDP, production, consumption and so on. The general tendency in world society is to associate the term growth with other terms like development, well-being, success, and happiness. In this period of crisis, where crisis basically means negative growth, many countries are facing several social problems like unemployment, crisis of small medium enterprises, public debt and so on. This situation has enforced the belief that growth is the pillar of a healthy economy without which the system would collapse.

The question that many economists are working on is whether growth can be unlimited in a planet which is, with no doubt, not infinite. If the answer to the question is no, the second issue is to consider whether the economic system can prescind from the system of growth, i.e. if it possible to conceive a different model able to assure equilibrium. The object of this paper is to try to answer these questions referring to a new model in which many ideas have been collected under the term *economy of degrowth*. The first chapter presents a whole series of arguments which find in the economy of growth the responsible for the modern economic failure and which see the crisis as an opportunity to change. The main argument is that the economy of massive exploitation has generated several environmental problems and it is necessary to slow down the economy. Second chapter illustrates a series of alternatives and reforms in different social spheres which can be associated to the slogan “degrowth”. Degrowth consists in a set of guidelines which are concerned with different spheres (economic, social, political) but follows a common pattern of ideas which support and integrate each others. It is important to consider these reforms as a whole because giving up the system of growth requires changes and interventions in different contexts.

The second part of the job is more specific and concentrates in the most important principle of degrowth which is relocating. Analyzing economics models and empirical evidences together with degrowth supporters' arguments and theories is the aim of third chapter. In countertendency with globalization, the purpose is to empower citizens shifting political and economical dynamics closer to them. Forth chapter presents some case studies on relocation: local food production in north-east Germany, local currency in Bavaria and participatory budget in Brazil. The last chapter is dedicated to critics and comments on the theory of degrowth and on localization.

Chapter I – The crisis of the economy of growth

1.1 - The infinite growth

The origin of the society of growth can be found in the rise of bourgeois class (XIV century). Since that moment, the common belief of generating more and more surplus started to spread. Since XVII century, with the rising of mercantilism, the wealth of a nation was measured basing on exportation exceeding importation, i.e. in money instead of goods. The modern concept of growth, however, comes from the post-industrial period. Mechanization, assembly line, big factories: everything was leading to produce more and more in a shorter time and at a lower cost. The boundless production lead to post-industrial crisis in which basically the demand was unable to match that huge supply. After the Second World War, European countries knew a period of great development, what in France is knew as the Glorious Thirties (1945-1975). The optimism and the great expectations toward the system of growth are probably related with that experience. The modern crisis, started in 2008, is showing all the social inconveniences of an economy of growth with negative growth. Unemployment, public deficit, lack of investments, bankrupt of small-medium enterprises, are the result of a system which needs a constant source of incrementation in order to reach its equilibrium. The question that rises is: is growth always reachable? Or, better, is unlimited growth possible in a limited planet?

One of the strictest objectors of growth, Serge Latouche, compares our economic system with the case of the seaweed. "The seaweed, keeps on occupying space without caring about the limits, because apparently the space available is huge. However, a geometric progression of factor 2 can occupy 3% of a space in 24 years and the remaining 97% in just 5 years". Then he specifies: " at the moment we are in the same situation of the seaweed that has occupied just 48% of the sea but if it doesn't slow down in one year the space will be over". Briefly, Latouche argues that the resources in this planet are limited, thus an unlimited growth is not possible. Even though this statement can sound obvious, it looks like it is not considered. " I have the feeling of being trivial and revolutionary at the same time" (Latouche, 2008, p. 58) he wrote, concluding the metaphor of the seaweed.

Perplexities in the idea of an unlimited growth have been raised quite earlier. The first report of the Club of Rome in 1972 pointed out that natural resources were going to run out soon. Between the supporters of *zero growth* economy a prominent position is up to Nicholas Georgescu-Roegen who tried to create an economic model without growth: "sustainable development is a contradictory expression. It is impossible to grow forever and all the political plans based on this concept are dangerous" (Roegen, 1976 cited in Latouche, 2008 p.28). Roegen argues that the idea of sustainable development is just a way to avoid or, in the best case, procrastinate the problem. Roegen analyzed that the economic cycle has an entropic nature, that is to say that the energies used in that cycle are not re-convertible in the original form. If the system doesn't slow down, a crash will be unavoidable. Serge Latouche, briefly simplifies: "Our situation is comparable to a car with no driver, no brakes and no reverse gear that is up to crash against the limits of the planet" (Latouche, 2008, p. 5).

With regard to this discussion, the analysis of Denis and Donella Meadows (2006) in their *Limits to growth* is very significant. By one side, they support Latouche's arguments: "Growth can solve some problems but create others. [...] The Earth is finite. Growth of anything physical, including human population and its cars and houses and factories, cannot continue forever. [...] There are limits to the rate at which humanity can extract resources (crops, grass, wood, fish) and emit wastes (greenhouse gases, toxic substances) without exceeding the productive or absorption capacities of the world " (Meadows, 2006, p. 8). On the other side, the authors point out that

growth does not need to be denied, instead it should re-conceptualized: “questioning growth does not mean denying growth. [...] A sustainable society would be interested in qualitative development, not physical expansion. It would use material growth as a considered tool, not a perpetual mandate” (Meadows, 2006, p.255). Thus two important points arise: first considering growth exclusively as material expansion is a mistake and second growth can become a positive tool as long as it is considered as a means for social purposes.

Finding an equilibrium, slowing down the exploitation of Earth planet and limiting growth cannot abstract, unfortunately, from regulating population growth. “if an infinite growth is incompatible with a finite planet, this stands for democratic growth as well. [...] A society of degrowth cannot abstract from a sustainable demographic regime” (Latouche, 2009, p.89). Despite it is a delicate issue to treat as it involves religious principles and the right to live, the number of individuals in this planet cannot grow endlessly. Many economists do not rely on the capacity of the system to find an equilibrium spontaneously without any intervention: population will grow well beyond the limits before it starts reducing. David Nicholson-Lord explains that improve efficiency and reducing wastes is a very positive approach, but it is vane if it is not supported with a control of population growth: “there is no doubt that changes in lifestyle are important, but a *zero-impact* existence is a chimera and the number of individuals in the planet is crucial. Andrew Ferguson, member of Optimum Population Trust, making researches on ecologic footprints found out that, even if 6 billions Earth's inhabitants had a low-impact life based on renewable energies we would need 1,8 Earth planets”¹ (Ferguson, 2004 cited in Latouche, 2008 p.20). The number of individuals that the planet can sustain is very difficult to determine as it is strictly connected to the ecological footprint which differs enormously among different countries. Figure 1.1a² shows how many planets would be needed if the ecological impact of every individual would be the same of the residents of the country indicated. In any case, many experts agree that at the current conditions, population is well beyond the limits of the biosphere. Jean Briere, chairman of *Demographie et Ecologie* explains that basing on computations of ecological footprint it is possible to state that the limits of the system

¹ Available on <http://populationmatters.org/journal/j41.pdf>

² Available on <http://www.cadoinpiedi.it/2012/08/23/la-terra-e-in-riserva-risorse-finite-il-22-agosto.html>

have been crossed already in early 60s when Earth population counted 3 billions people.³

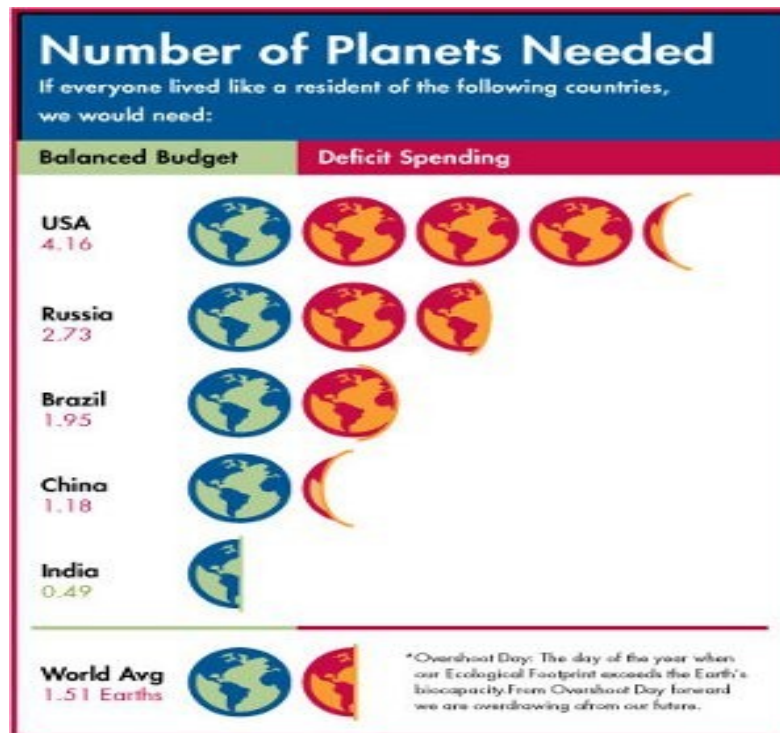


Figure 1.1a source: <http://www.cadoinpiedi.it/2012/08/23/la-terra-e-in-riserva-risorse-finite-il-22-agosto.html>

The problem is more complicated than it may look like at first sight. The increase in life-expectancy is rising the average age of the population especially in developed countries. Governments oppose to a politic of birth-rationing and instead try to boost proliferation: society needs more working people to sustain retirements. However, as Latouche explains, this kind of policy is not effective in the long period: sixty years later the situation would not change at all, it would instead probably worsen.

1.2 – The problem of measuring development

While “growth” can be interpreted as physical expansion and incrementation of human exploitation (purpose of this chapter) but some can mean it as social, cultural, political, ethical improvements of humanity, there is no doubt that what GDP measures is the first definition. The inadequacy of this measure of performances is not something cropped up with the current

³ Cit. Latouche, 2008.

crisis: critics to GDP date back to 50s-60s. However, many efforts of establishments and political authorities concentrate on the increase of aggregate production and because of that the topic is still matter of contentions: “despite the huge literature on its inadequacy as a measure of economical success, GDP is still the most important barometer of political success” (Martini, 2003, p.198). Claudio Martini detects the source of the problem in the pressure of statistical institutes toward policy makers about GDP performances. “However” he proceeds “we have the chance to counterbalance the power of GDP redefining the concept of good governance basing on a new, wide range of indicators which measure what is really important for societies” (Martini, 2003, p.199).

In 1990, the economist Mahbub ul Haq introduced a new indicator measuring human development which was composed by three variables: literacy, life expectancy and GDP per capita. Three years later, UN began to use this indicator to evaluate quality of life in national States. So, for the first time, GDP was not the sole number took into consideration. However, that appears to be not enough. The Human Development Index does not solve many of the problems arising by an economy based on production measurement. First, it does not consider sustainability, from economical to environmental ones. Second, it completely ignores equity and distribution of resources. For these reasons, at the beginning of 2008 French president N. Sarkozy decided to institute the Stiglitz commission to deal with these matters. The analysis of the commission on limits of GDP can be summarized in these points:

- non-market activities⁴ are evaluated at the sum of the related costs.
- capital depreciation is not considered
- no importance is attributed to income distribution
- It counts defensive expenditure, i.e. all the expenses sustained to maintain the functioning of society: there is not a direct benefit.
- It does not take into account household activities

For these reasons GDP is to be considered as a distort measure of economic performances. Thus, it needs to be integrated. Anyway, the main problem of this measure is that it doesn't take into account many aspects of social life and it is far away from measuring well-being. It is just a

⁴ The notion of non-market activity has to be intended as all the goods and services provided by the public sector

measure of quantities, of aggregate production and exchanges, no weight is given to how this wealth is used and how products or services are useful for the collectivity. GDP measures production of weapons as well as the investment on reconstruction of buildings destroyed by natural disasters. It includes pollution and products sold through marketing persuasion. GDP grows with consumerism, with obesity and with sicknesses. Hence, the main issue is not the index itself (except for the lacks provided above) but the fact that many other variables have to be considered or, rather, GDP is given a wrong interpretation and an excessive importance.

Actually, there already exist a lot of indicators measuring social, environmental, educational performance provided by OECD. But the problem is that the main part of these indicators present lacks and imperfections and most of all they are simply indicators, so they are many, small, quite insignificant numbers that needs to be combined to construct a significant index. For instance, it may be controversial whether the number of personal computer per capita is a good indicator of technology or whether the number of newspapers sold could be an estimate of people's information. Hence, the main task is to create valid indexes in order to have reliable information about real life: "What we measure affects what we do; and if our measurements are flawed, decisions may be distorted" (Stiglitz commission 2009 report, p.14).

1.3 - The ecologic debit

The available bio-productive space in this planet is about 12 billion of hectares. That is to say 1,8 hectares per individual. (Wackernagel, 2005). According to the Californian institute Redefining Progress and to WWF, considering the hole consumption of materials and energy and the impact of buildings, the average consumption of a human being is 2.2 fertile hectares. Furthermore, there are several differences between individuals from different countries: every United States citizen exploits an average of 9.6 hectares, Canadian 7.2, European 4.5 (Gadrey, 2008 cited in Latouche, 2009 p. 38). This means that humanity is absorbing almost 25% of Earth regeneration capacity. Figure 1.3⁵ shows the date in which the natural resources that Earth can generate in a year have been consumed. That date is called the *Global overshoot day*: the left side

⁵ Available on <http://www.cadoinpiedi.it/2012/08/23/la-terra-e-in-riserva-risorse-finite-il-22-agosto.html>

of the graph measures the number of days between the end of the year and global overshoot day, i.e.: the higher the point is, the bigger is the whole between how much nature produces and how much humans consume.



Figure 1.3a source:

http://www.cadoinpiedi.it/2012/08/23/la_terra_e_in_riserva_risorse_finite_il_22_agosto.html

The cause of this phenomenon is the too quick exploitation of resources: humans transform resources into wastes faster than wastes are transformed into resources by nature. The natural cycle is collapsing and every year it's getting worse because the excessive exploitation is compromising some fertile space which cannot regenerate. "In the space of a few decades, we have burned what it took the planet millions of years to produce. Our annual consumption of coal and oil is equivalent to a biomass accumulated beneath the crust of the earth over a period of 100.000 years of photosynthesis" (Latouche, 2011, p.24).

The impact of economic activities on the environment has reached an alarming level. The biggest deal is the excessive emissions of carbon dioxide in the atmosphere. Since 1700 the global carbon cycle has lost his equilibrium. Concentration of carbon dioxide in the atmosphere has increased from 280 ppm in early 1700 to 370 ppm of current years. According to

measurements, at the moment it is increasing at a speed of 1,5 ppm per year (Houghton, 2004). Most of the 6000-7000 tons of carbon emitted every year comes from energy production for domestic appliances, for transport and for industries. There are two main methods for reducing CO₂ concentration in the atmosphere: the first is to improve energy efficiency, the second is to capture CO₂ from the air. The efforts on first option appear to be inadequate. For instance, buildings are characterized by a low energetic efficiency considering the available technologies (National Research Council, 2008).

In March 2009, climatologist had a meeting in Copenhagen and stated that even if we could immediately reduce our ecological footprint to a sustainable level, we would face an increase in the temperature by 2 degrees before the end of the century. Nowadays, we are already experiencing the effects of global warming. From 1958 to 1990s, the average sea-ice draft, i.e. the thickness of the part of the ice that is submerged under the sea, has decreased from 3,1 to 1,8 meters. The average volume has decreased by 40% and in 2000 a hole large enough to be seen from space opened in the sea ice above the North Pole. (Maslin, 2009) This means submerged coast areas, unpredictable climate changes and lack of drinkable water for some populations.

The excessive exploitation is also causing a phenomenon that concerns various naturalists: the loss of biodiversity. Specialists call the situation we are living *the sixth extinction of species* (Leakey, 1995), the fifth is the one of dinosaurs. The big surprise is that its magnitude compared with that of the other five mass extinctions reveals in the geological record: species disappear at a speed estimated between 50 and 200 per day (Wilson, 1993). Richard Frankman explains why biodiversity is not just an issue for naturalists: "Bio-resources include all of our food, many pharmaceutical drugs, natural fibbers, rubber, timber [...] the natural world contains many potential useful new resources. Ants synthesize novel antibiotics that are being investigated for human medicine, spider silk is stronger weight for weight than steel" (Frankman, 2004, p.2). The real problem is that we do not give the right prominence to the effects on the biosphere as Latouche remarks: "what happens in nature becomes a disaster only when human beings suffer the consequences" (Latouche, 2008, p.15). The biggest case he analyzed is the tsunami on south-east Asia in 2004. The huge amount of victims (around 200.000) would be caused by tourism, the destruction of mangroves and properties speculation.

Finally, but not less important, the ecologic debit through nature does not spare water. According to US Government climatology Kevin Trenberth, the proportion of the Earth's land surface suffering very dry conditions rose from the previous 15 percent to 30 percent at the beginning of 21st century (Mosey, 2009). Richard Mosey, in his *2030, coming tumult: Unlimited growth on a finite planet* makes a deep presentation of all the ecological issue connected to water. "The Middle East has already run out of water" (2009, p. 12). The real problem is the abuse of water for irrigation. Different inhabited areas would be desert without a constant irrigation. The need for more fertile areas together with the soil that is losing its fertility because of exploitation, forces to use huge amounts of water. "A quarter of Indian crops are being grown using non-renewable underground water. In some regions, salt from the irrigation water is invading the fields and rendering large areas sterile, losing 25 millions acres per year" (2009, p. 12). Fred Pearce (2006) explains that the problem is that human activities have compromised the water cycle generating some imbalances: probably the result will be that dry areas will become drier and wet areas will become wetter making the climate more extreme.

1.4 – The supremacy of finance

Which are the sources of the economy of growth? What makes growth so invasive and hard to limit? Latouche identifies three of them: "in order to allow the society of growth to carry on its diabolic course three ingredients are necessary: advertisement that gives the desire to consume, credit that gives the tools to do it and the quick and scheduled obsolescence of products that renovates the need. These three variables of society are not less than an instigation" (Latouche, 2008, p.27). The system of credit/debit will be analyzed in this paragraph, while advertisement (1.5) and obsolescence of products (1.6) afterwards.

"The power of deciding priorities is not anymore in the hands of public institution, it's instead handled by finance" (Petrella, 2008, p.14). According to Petrella, the world of finance is the first responsible for the social crisis we are living. The influences coming from the world of financial transaction are too strong and deviate the policy maker from the best social decisions. Petrella argues that finance, empowered by globalization, created a complicated and very huge system

of transactions and financial connections between different countries that, in fact, compromised their independence. It's necessary to disarm the financial power. The first step, the author proceeds, is to nationalize banks and to limit the number of transactions, for instance introducing a Tobin tax.

Christian Comeliau, an other important critic of the current financial system, identifies the origin of the problem in the huge presence of debts in this economy: “ the debit forces to reimburse with interests which obliges to produce more than received. Interests introduce the need for growth [...] it's necessary to produce exponentially and thus to grow endlessly” (Comeliau, 2002, p. 147) . Credit is a tool to allow consumers to consume beyond the limits of his possibilities, it's a tool to make households bounded to financial system. Serge Latouche denounces the huge abuse of financial tools and of debit. In case the problem cannot be solved through regulation, he considers even closing down the stock exchange market. Finance is supposed to be a tool to transfer funds from savings to investments: an auxiliary activity in the service of economics to intermediate between money and ideas. However nowadays it is acting over and above its purpose. Speculation, derivatives and stock options generates new victims day by day. The final effect appears to be the increasing distance between poorest and richest.

1.5 – Marketing, advertisement and consumerism

Advertising is the second business in the world after weapons. It counts 500 billion of euros of turnover per year. In 2000, 103 billions of euros were invested advertisement in USA. Summing up, the cost of advertisement is afforded by consumers which, according to estimates, amounts to around 500€ per year per person (Latouche, 2008). Serge Latouche argues that “We would rather avoid an excessive regulation which often leads to counterproductive effects; we should organize an adequate taxation system, heavier for marks, lighter for products” (Latouche, 2009, p. 141)

Jean Paul Besset (2007, cited in Latouche, 2008) explains how commercial tools invaded modern life: “The system of publicity invades roads, public spaces, channels of communications, train stations, stadiums, beaches, parties. It cannibalizes internet, colonize newspapers determining

their financial dependence. In the world of television, it found its weapon of mass destruction, making ratings the dictator of the first cultural vector of this epoch. It lays siege to private life as well: postbox, telephones, video games. That is mental pollution, visual pollution, sound pollution" (Besset, 2007 cited in Latouche 2008, p. 81). Regulating advertisement is actually not an easy task. Limiting the freedom of private companies of promoting their own products in a system of free market generates unavoidable clashes. Advertisement should be bounded in quantity and in quality. In quantity, because it is almost everywhere and it is taking place in everyday life. Advertisement took the place of dialogues, of pure conversations. In every public speech, in every crowded road, in every magazine. In quality, because the real matter is not the advertisement itself, it is instead what is advertised. Most of the advertisement space is dedicated to phone companies, banks and cars: instead, energy-saving products, biologic food and biodegradable packaging should find that much space.

Beyond the stressful conditions in which this barrage is leading consumers to, an other issue is that because of this barrage every individual is literally flooded by items. In his analysis, Latouche, observes that the amount of needless objects is impressive: " because of commercial pressures, we are surrounded by an average of 10.000 items per individual" than he continues: " according to a survey, 85% of the biggest American managers states that advertisement often induce consumers to purchase something they do not really need" (Latouche, 2009, p. 142).

While consumerism is the result of publicity system, marketing is its source. The basic idea of marketing is that the more can be sold, the better it is. It is clear that this principle cannot match the philosophy of degrowth. Using techniques, tools, tricks and sometimes playing dirty to induce consumers to purchase and consume more: it is a dangerous science that pushes in opposite direction with respect to sustainability. In these recent years the situation has worsened: marketing has spread to public sector. Public services are provided using marketing techniques and experts, for instance in public transports. While it is acceptable that private entities use all the legal tools they have to increase their business as long as there is no regulation, it is a very big issue if this dangerous science is used by Governments. How can the policy maker be expected to regulate marketing if he is the first one to use it? The most effective law has become the law of market, the law of consumption, the law of GDP, the law of growth.

1.6 – Short life of products and refuses

Why do consumers need all these huge amounts of products? In the previous paragraph the role of marketing in influencing demand has been mentioned, but is that the only explanation? In the market of durable goods companies use tricks and methods to make sure to have a good business turnover. There are three kinds of methods which can actually be considered marketing methods but which anyway go beyond the direct persuasion. The first one is the short life of products. Michel Kostecki, in his paper *The durable use of consumer products*, offers a deep analysis of the “life-expectancy” of products in developed countries: “The average age of consumer durables in the high income countries has declined over the last decades” than he argues: “The vision of ‘non durable durables’ fits well into the *modus operandi* of the contemporary industrial economy in which a vicious circle of ever-increasing production and consumption continues to operate. At the macro level, economic prosperity is measured by GDP which grows when ‘non-durable durables’ are rapidly replaced by new material goods” (Kostecki, 1998, p.10). Firms prefer to produce one-use products instead of durables to assure themselves a higher turnover. For instance in the huge diffusion of disposables: razors, plates, glasses and so on.

The second one is the desire for fashion. “Products are conceived, it is claimed, to be rapidly replaced by new products. Marketing strategies are employed to limit the product life by rendering their symbolic components obsolete (e.g. by accelerating the change of fashion) [...] this perception is confirmed by the result of an empirical investigation of young consumers in the French-speaking part of Switzerland. In this study, 95% of the consumers interviewed suggested that the durability of clothing has declined during the last fifty years. They consider that the main reason for that trend should be found in the changing fashion, and the impact of publicity, as well as in producers strategies which consciously limit product durability” (Kostecki, 1998 p.10)

The third one is the planned obsolescence: this is typical of electronic sector. Lifetime of electronic goods is becoming shorter and shorter because of their components that are designed

to brake after a certain amount of use. Repairing is always impossible or more expensive than substitution. As a consequence, computers and household appliances fill rubbish dumps. “150 millions computers are exported every year to dumps of third world countries with their high contain of toxic metals like mercury, nickel, cadmium, lead and arsenic” (Latouche, 2008, p.184). Some economists use the term *economy of refuses* to refer to the cases mentioned above and to all the other situations in which, in fact, the output of the productive chain is something that become garbage in a short time, like what happens with multiple packaging. The economy of refuses arises different issues:

- a) Creates useless jobs (see 2.3)
- b) Reduces consumers’ real purchasing power
- c) Generates huge quantity of garbage

Dumps is an issue in every developed country (and not only). However the system keep on pushing to more and more. It is undeniable that there is a strong need for a drastic change. “Production is nothing but an activity which transforms rough materials into garbage through a shorter and shorter step during which they are considered products [...] in France, during seventies, the production of garbage in a year was measured in 10 millions tons, in 2000 it was 28 millions tons” (Latouche, 2009 p.185).

Latouche considers the separate collection of rubbish as a partial solution: its contribute is definitely too small. The solution he proposes is to not produce rubbish at all or at least reduce our impact at the minimum. The basic concept is to repair instead of substitute, create a developed second-hand market, ban disposables, but most of all change the design of products in a way that they are not supposed to end up in a dump: the reject of a company should become the raw material for another one.

1.7 – The abuse of commercial trading

Many of the economists mentioned so far underline a remarkable contradiction of current economic system. On one hand, concerns about an oil crash and the need to reach an oil independence, vehicles pollution, traffic and incidents in highways. On the other hand

commercial trades among countries that keeps on increasing but, most of all, in many cases tradings that appear to have no sense. Latouche (2009) remarks this last point: “Alps are crossed by tracks that deliver San Pellegrino (Italian brand of water) to France while at the same time other tracks deliver Badoit de Evian water from France to Italy” than he continues “ this is the absurdity of an economic system in which different states keep on exchanging the same type of products that could be produced locally at a slightly higher price. Globalization lead to this schizophrenic logic of commercial exchange. England, in 1998, imported 61.400 tons of chicken from Holland and exported 33.100 tons of chicken to Holland” (Latouche, *la scommessa della decrescita*, 2009, p. 112).

The distance covered by food from its origin to the consumer is impressive. In England, part of the lamb is imported from New Zealand, which means that the meat covered a distance of about 18.800 km. Yves Cochet (2005, cited in Latouche, 2009, p.65), underlines this phenomenon: “lettuce from Salinas Valley, in California, gets to Washington markets after 5000kms and just considering transport, it consumes 30 times more energy compared to its calorific value”. Economist of degrowth find in the system of growth the responsible for this situation. First, strategies of marketing implemented the law of brands. The brand is given too much prominence by consumers that sometimes are devoted to a particular brand without any rational reason. Second, increasing exportation create surplus in public accountancy. Third, commercial trade keeps the demand for oil at a high level.

Unfortunately, the system is designed for opposite dynamics to the reduction on the huge quantity of transports: policy makers are trying to stimulate transports and commercial exchanges and all European revitalization plans aim to develop infrastructures dedicated to transports (for instance the Lione – Torino train line).

Jean Paul Besset (2007, cited in Latouche, 2008) proposed a plan to reduce the need for private transports that can be summarized in few simple points:

- orientation toward rails transport and coasting instead of tyre transports
- urban roads dedicated to public transports
- creating built-up areas around small cities to offer local services
- limit the expansions of cities and contain the dimensions of big shopping centers

The excess of transport is not just concerned with commercial exchange of goods: the critic is extended to the movements of people. During last years, movements of people for tourism purposes knew an exponential increase in the average distance covered. People choose more and more frequently far destinations to spend their holidays. Of course, this is due to lowering cost of long travels that allows to visit the other side of the planet at a reasonable cost. However, the question is: do people really need to reach the other side of the planet? Latouche calls this situation the excessive massive tourism. The claim is that this strong desire to travel so faraway is, in fact, induced by medias. "curiosity and cultural discover have been transformed in a damaging excessive consumption by touristic industries. The obsession of getting faraway is mostly a need created by modern society and stressed by medias and travel agencies"(Latouche, 2008, p.137). The term "ecotourism" is claimed to be an other fake word like sustainable development. Tourism has a strong impact and not much can be done to reduce it. Of course, the purpose is not to ban people from traveling but to make it consciously and to block the barrage that pushes to travel for thousands of kilometers.

1.8 – Counterproductive and invasive technologies

Personal computers, mobile phones, cars, televisions and so on: every technology consumers are usual to own it is with no doubt important, if not necessary, in modern life. However, there are some arguments to be considered. First, a technology becomes necessary whenever the society makes it so. For instance a car is indefeasible for an individual if its place of job is far and if there are no cycle lanes along that ride. Second, most of them are supposed to be useful while they are simply used. The difference is that consumers feel the necessity of a technological tool because in everyday life they make a huge use of it. The most illustrative example is mobile phones. Supporters of degrowth argue that these technologies became invasive, stressful, frustrating and individuals are enslaved. They believe in what Ivan Illich, one of the biggest precursor of degrowth, calls "techno-abstinence": "technologies" he foresaw "will become intrusive and will prevent us to live joyful moments. The only solution is to give them up. That's not about a life of privation, it's rather detoxification. This will lead to releasing creativity,

rediscover of social relations and living a real life" (Illich, 1995 cited in Latouche 2008, p.121)

Illich picks on what he considers one the biggest counterproductive technology: the car. Working with Jean Robert and Dupuy he analyzes its performances: "big built-up areas made automobiles slow, uncomfortable, stressing and expensive. Currently, in Pechino, drivers cannot exceed 8km/h". Illich considers the *generalized speed* of a car, i.e. taking off from its average speed the necessary time of work to fulfill the cost of purchasing, the cost of oil, insurance and all the other related costs. The result, beyond every reasonable objection that can be raised on this statistic, was 6km/h: the speed of a pedestrian (Illich, 1995 cited in Latouche 2008, p.123). But the automobile sector is not just collaring people into kilometers of lines, raising their cost of life and increasing the dangerousness of their days, the production of cars is also invading space. What is probably the biggest negative effect assignable to this industry is that public space is occupied by cars: road for cars, parking spaces for cars, buildings for cars. People need to find refuges where it's possible to walk, play, and talk because the majority of public space is owned by vehicles. "Space has been transformed to a infrastructure dedicated to vehicles" (Illich, 1995 cited in Latouche 2008, p.124).

The real challenge in this context is to conceive a balanced and appropriated concept of innovation. It's not about being against technologies, it is rather claiming that innovation should be at the service of individuals and not the opposite. "Modern society created and introduced a semantic to praise innovation and progress associating to these concept an uniquely positive idea, against preservation. It's always better to advance, to innovate, to change" (Pallante, 2007, p.93)

1.9 – Dissatisfaction and frustration of human being

The economy of degrowth is often associated to the economy of happiness. Despite the differences between the two currents of thoughts, they share the believe in a raise of social values and in supportive economy and their aim is to reach conviviality. The idea behind the economy of growth is rather an idea of competition, of conflict. The need for more and more is subconsciously transmitted in our everyday life. The inevitable consequence is dissatisfaction: "

the economy of growth generates unhappiness. In a society of growth individuals are winners and killers or looser and failure. In this logic, most of individuals are destined to envy, jealousy and frustration”(Latouche, 2010 p.69)

Supportive society has been replaced by a “solitary crowd” that generates psychological misery. The News Economic Foundation conceived a measure of happiness called Happy Planet Index. The results of this index are illustrative of what is happening in industrialized countries: in 2009, the happiest country was Costa Rica, second Dominican Republic third Jamaica and forth Guatemala. United States were placed at 114th place.⁶

The feeling of dissatisfaction, stress and unhappiness, in addition to what mentioned in previous paragraphs, would be caused by the loss of individual’s time. The society of growth forces people to work for most part of their time, regardless to the effective utility of the job. Society of growth is a society of rush, of full time, of struggling for more and more. The casualty of this no-time existence is the time for self-development, for recreating activities, time for family, time for reasoning out and for artistic releases.

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Chapter II – Finding an alternative: the economy of degrowth

2.1 – Giving up the economy of growth

As mentioned in first chapter, most of economists believe in the beneficial effect of an economic recovery. It is beyond argument that the paralysis of growth is causing lots of problems and inconveniences. The lack of demand is making companies fail and generating high unemployment rates. In April 2012, European unemployment rate reached 11% and employment rate was roughly 60%.⁷

The question it is necessary to make is whether this is a cyclic crisis which thus requires short-term interventions or rather needs a drastic change in the system. The second question is whether it is somehow possible to not be affected by economic fluctuations like this last one. The answer can be found in the theories of the economist of degrowth. According to them, every solution policy makers propose that does not change the basic mechanisms of the system will lead to a failure. Restart to grow is not the solution because even if the purpose is initially reached, in a not that long term the economy will slow down again generating the same undesirable effects. The reason for that is not concerned with lack of incentives, bad fiscal policy, lack of investments, or managerial mistakes. The real reason is that, as explained in first chapter, the limits of the system have been reached and the economy cannot grow forever. Economy of degrowth does not mean negative growth like the one we are living nowadays. Economy of degrowth is an economy in which well-being and social comfort do not depend in producing consuming and selling more and more. Thus, stop growing or having a negative growth is not the solution. The solution is giving up the economy of consumption through a drastic but necessary change in the system.

Supporters of this ideas are branded like outdated, against development and modernism, accused to believe in a medieval society. The idea of stop concentrating on expanding a business, increasing productive capacity, offering more and more products, stimulating GDP and so on, generated various perplexities. Indeed, Latouche is usual to define degrowth as a *concrete utopia*. Utopia because it is still not much more than an idea, something that is quite far

⁷ Available on (<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=teilm020&tableSelection=1&plugin=1>)

to be realized and the conditions to implement it are currently far to be matched. Concrete because the attempt is to explore objectives opportunities and policies in order to fulfill it. It is understood that the achievement of a system like that needs significant changes in different aspects of society, very similar to a revolution. Riccardo Petrella (2008) found three main areas of intervention from which starting the revolution of degrowth:

1) *demarketize*: release society from the law of market. Market has the absolute power to decide the best allocation of resources, market has to be in attendance of environment and society and not the opposite. It is necessary to take off some common goods from the logic of the market. The market of emissions quotas of carbon dioxide is an illustrative example of how the environment is being *marketized*

2) *disarm finance* (see 1.4)

3) *humanize coexistence*: rediscovering the idea of collectivity and community. Individuals have to see society as a group of people carrying on common plans.

Serge Latouche, the first that is going deeply in the topic trying to identify how to reach the revolution through step by step reforms, identifies 8 words which work as guidelines that constitute the *eight Rs*. The aim of Next paragraph is to introduce these guidelines, after which the necessary changes and the basic characteristics of the society of degrowth will be presented.

2.2. - Eight Rs

In most of its scripts, especially the most recent ones, Latouche describes what he calls the *virtuous cycle* of degrowth. Every R is dependent and support the others in a cycle. Re-evaluate, re-conceptualize, re-model, re-distribute, relocate, reduct, re-use/recycle. "Re" gives the idea of restarting, the idea of revolution, the idea of remaking.

- *re-evaluate*: evaluating has to be interpreted as defining what is more important, i.e.: what has more value for the society. Redefining priorities and social values, giving more importance to different aspects of life. The system is based on individualism, refuse of moral principles, selfishness and reach of comfort. "Pleasure of free time should prevail on work, altruism instead of selfishness, cooperation instead of unconstrained competition, social life instead of reckless

consumption, local instead of global, autonomy replacing eteronomy, reasonable instead of rational, relational prevailing on material" (Latouche, , 2009, p.45)

- *Re-conceptualize*: the law of economics introduced some senseless concepts and routines that need to be removed. For instance privatizing water, selling rights to pollute or creating genetically modified organism. Economics transforms abundancy into rarity through creating new needs in the society with the effect of exploiting the environment. The market gets possession of free things, than it imposes marks, logos or tolls.

- *Remodel*: changing the values of the society requires a big change in its structure. Productive system needs to be converted in what is considered socially desirable. Buildings, jobs, channels of decisions: the frame of the society has to fit the reforms.

- *Redistribute*: one of the most important effect of globalization was to increase inequalities between north and south of the world. The richest 20% of the world represents 86% of the world domestic product , whereas the poorest 20% represents 1%. 1.2 million people were estimated to have less than one dollar a day and 2.8 million (more than 45% of the global population) live with less than two dollars a day. While 1 billion 300 million human beeings do not have potable water, the wealth of the 200 richest people in the world represents more than 40% of the total income of the world's population (Bertagni, 2010). In this case, redistribution means firstable stop exploiting developing countries through commercial exchange which make their economy dedicated to exportations and which destroy their internal market which cannot compete with globalized market (see 2.9). Second, redistribute means giving up exploiting natural resources of south of the world or their workers. The ecologic debit is not just toward nature but also toward developing countries. Redistribution has to be interpreted between countries as well as inside every developing and developed country/society.

- *Relocate*: this is the most important and characteristic point of the economy of degrowth. Production has to happen in a local context. Relocation is decentralization, autonomy, proximity. This concept does not affect just the economic sphere. Relocation has to be social, political and cultural. Political and social decisions should happen for the most part in a local context in order to facilitate political participation. This point will be treated more deeply in next chapter.

- *Reduce*: the earth of the all critic to growth, reducing. Reducing means reduce the impact on environment, reduce production, consumption, items, refuses, wastes, energy supply. Reductions has to be social and cultural: reduce working hours (see 2.3), the use of pills, reduce movements.

- *Reuse/recycle*: 80% of the items end up in rubbish dump after a single use (Latouche, 2008). As explained in first chapter (1.7), the quick obsolescence and the short life of products are damaging the environment. Society has to fight all the incentives to substitute instead of repairing, limiting single-use products and incentivate durable goods. Products has to be designed to last more and to end their life-cycle with no remnant. For instance, in Switzerland, Rohner and Design Tex introduced a textile for tapestry which naturally decomposes at the end of its life cycle.

In the very recent time (2011) the theory of the 8 rs has been integrated with two more Rs: *re-orientate the scientific structure* and *re-appropriation of money*. The first one is about dedicate research to the new concept of development. For instance, instead of investing on increasing the energy supply through new-generation nuclear plants, research and investments should be concentrated in reducing energy consumption through energy-saving technologies. Re-appropriation of money is about the loss of power to make fiscal policy in a local context. The circulation of currency is too wide and fiscal policy decisions are taken by insitutions that are too far from citizens. Latouche argues that the scale of dimensions for a monetary system is between ten thousands and one million people.

2.3 – Work and leisure in the economy of degrowth

The concept of work has been influenced by the philosophy of maximum exploitation of the economy of growth. Whatever the sector considered, it is possible to find mechanisms that make a job excessive, useless or even counterproductive. For instance, all the packaging of a product require a certain amount of work for something that ends up in garbage with no use and more work is necessary to dispose of it. Buildings are built with a low energy efficiency with respect to the technologies available and hours of work are necessary to build and

maintain new energy plants to supply that excessive energy. Short life of products and planned obsolescence introduced in first chapter: more working hours are necessary in order to produce these kind of products with a higher frequency.

Economist of degrowth strongly support the need to shift from a 40-hours working week to a 20-hours working week. First, the claim is that, combined with a proper policy, the effect would be the strong reduction of the excessive and harmful jobs. The government has to distinguish between jobs that have a real social utility and jobs which cause wastes and need for more job. The lower amount of work available will force the society to be more selective and give up excesses. Second, the reduction of working hours will create new jobs. This phenomenon is called *work-sharing*: the name comes from the illustrative case in which a company that actually need 40-hours a week will hire two employees which will literally share the job. This idea is discussed in different countries because of the rising issue of high unemployment. Third, the concept is also well-considered from an equity point of view: many individuals work a huge amount of hours while others do not have the possibility to work a single hour. The result would be a sort of more equal distribution of working hours. The New Economic Foundation (NEF), seeking solutions for the Britannic economy, argues that “ if everyone worked fewer hours – say 20 or so a week – there would be more jobs to go round” (Stewart, 2012). Serge Latouche tries to foresee the final effect on work of a degrowth policy: “ the effect is ambiguous. By one side the reduction of productivity as a result of giving up the thermo-industrial model, the relocation of activities and the end of exploitation of developing countries labor force will lead to an increase in work, while the removal of superfluous needs and the lower working hours will lead to a decrease. Anyway, what matters is the quality and the real contribute of work which would be most assuredly improved by degrowth system” (Latouche, 2011, p. 71). Forth, the result on individual free time would be significantly positive. This concept has already been touched introducing the state of unhappiness in individuals (see 1.9). Despite this third aspect can sound superfluous, it is considered the most important one. In the economy of growth free time is identified as leisure. The utility of no-working hours is just given by distraction and resting, i.e. it is an individual utility. The economic utility is given just by working hours. The economy of degrowth is instead characterized by a re-discover of the

importance of free time. Leisure is just part of free time. The higher time available should be used for social purposes: for instance increasing political participation and activism, devote more time to acquire information on social matters, pay more attention on what to buy, becoming in brief a social and political conscious citizen. The rush of the full time working week prevent people from taking care of what happens around them. Time should be dedicated to discussions and to sharing information, to social debates and to thinking. Moreover, people need to reach the re-appropriation of their own existence: for instance spending more time with their own families, dedicate more time to son's education and relationships with relatives, find the time for social relationships in the neighborhood and for artistic releases. Jacques Ellul, remarkable sociologist, writes: "I am aware that lots of objections can be raised: boredom, sense of loss, economic regression and risk that commercial society and entertainment industry will get possession of free time making it a merchandise [...] however we are forced to make ourselves some fundamental questions about the meaning of life and about a new culture [...] human needs to care about something and nowadays we are dying of this lack of interest" (Ellul, 2003 cited in Latouche 2009, p.101). Daniel Mothé (1997) in his *Utopy of free time* explains that in current situation free time is not released by economy. Most of free time is not dedicated to a re-appropriation of existence and do not represent an escape from the commercial model. Free time is used for commercial activities too, it is becoming more and more industrialized and professionalized. (Mothé, 1997)

Of course, all the change mentioned above cannot be reached in the short period. It is necessary to proceed through a slow period of transition which many economists are trying to define. According to André Gorz (2004, cited in Latouche 2008) the best solution is to keep the system growing initially, in order to reduce working hours at the same rate of the increase in productivity in order to not compromise wages in the short term. Others, like Latouche and Pallante, argue that it is possible to slowly and gradually reduce working hours: the system will reach an equilibrium by itself. Of course, it is necessary to make sure that some conditions are matched. In 1989, in Germany, the politic program of the social democratic party presented very interesting analogies with the ideas of degrowth regarding work system. Its plan was to reduce the working week to 30 hours and to 5 days, to introduce the right to sabbatical year, to cut

dangerous industries like nuclear plants and cars. The failure of the plan was to not combine these reforms with an anti-capitalistic logic. The mistake was to think that these ideas could fit the philosophy of the economy of growth.

2.4 – Decolonization of thoughts

Can we expect that the revolution of degrowth could start from the intervention of a policy maker? Of course, the establishment plays an important role at this purpose. However, the most important revolutions of the history started from the bottom of the society. Political channels are too bureaucratic and usually intervene after a change, not before. The change in people's ideas, abitudes, thoughts is faster and more effective than a direct intervention from the top. For this reason, economist of degrowth believe that before turning in a new organized and regulated system degrowth must be applied in citizen's everyday routines.

Providing citizens of an education of degrowth would require a long term perspective to have a new generation of informed citizens, but the result would be remarkable. The results of the survey of APED (appel pour un ecole democratique) on critical knowledges of Belgium students, made on a sample of 3000 students, are very illustrative⁸:

- 55% cannot explain what is a renewable energy
- 1/3 thinks that more than 15% of electrical energy is provided by renewable sources (it is less than 10%)
- almost 9/10 ignores the causes of global warming
- more than 60% confuses greenhouse effect with the ozone hole
- the majority claims that the ecological footprints of Belgium citizens could double without exceeding the ecological limits of the system

The education system is identified as one of the sources of the problem: “most of people learn to accept their destiny and their servilism at school” (Illich, 1975 cited in Latouche, 2008 p.140).

The claim is that the education system provides the cult of growth in people's mind, expecially business schools. During education children develop their feelings of impotence, scepticism,

⁸ Results of the survey are reported by Latouche (2008)

bad faith. Latouche argues that the problem is that nowadays the educative role is left to school and to television. Parents do not spend enough time with their children because of their job and while education system provides children with the philosophy of servilism, tv programs bombard them with superfluous things. It is necessary to undertake a “war of words”, to make a semantic revolution redefining concepts like richness and poverty, scarcity and abundance, development, progress, freedom, well-being.

It is unsolved, however, the question on how implementing the culture of degrowth. Should students be educated to a conscious existence without providing them with some notions of how to survive to the competitive and frenetic environment which they are called to change? How can the education change if teachers are not educated to degrowth? The theories of Ivan Illich answer, in part, to these questions: “ there have always been a consciousness background in everyone of us that cannot be explained by the direct effect of education or other people's teachings, it comes from a complicated combining of relationships and perceptions [...] I have faith in human's ability to conceive a new form of education fit to the good sense” (Illich, 1975 cited in Latouche 2008 p. 141)

2.5 – A politic program

So far the discussion have been characterized by a comparison of how reality is and how it should be according to objectors of growth system. In other words, most part has been dedicated to potential changes, not to specific policies. Is it possible to conceive an electoral program of degrowth, characterized by gradual reforms that could reasonably be implemented through a step-by-step logic? An attempt on this direction has been made by Serge Latouche. The politic program of degrowth could be drafted like the following:

- a) Reduce the ecological footprint to a sustainable level, which means that exploitation should equalize natural regeneration. The first areas of intervention would be the so called *intermediate consumptions* like transports, energy, packagings and advertisement.
- b) Integrate the cost of transport with the damages it provokes through taxation (pollution taxes, Pigou tax)

- c) Support organic farming encouraging biologic and seasonal consumption. Banning pesticides and GMO.
- d) Convert the increase in productivity in reduction of working hours in order to increase jobs and free time.
- e) Reduce by 75% energy wastes by 2050 through moderation and efficiency
- f) Introduce mechanisms of penalization for advertisement expenditures. Gradually ban advertisement during tv shows for children. The purpose is to protect them from commercial persuasion. At the same time regulate it in quantity and quality. Ban the advertisement of harmful products.
- g) Introduce a moratorium to scientific innovation on the base of its environmental impact. The purpose is to disincentivate technologies like high speed railways or incinerators.
- h) Reduce work taxation. Incentivate projects and job which reduce environmental impact like renewable energy sector.
- i) Try to reach agreements on a global level for a fiscal reform: introduce a tax on financial transactions, increase taxation on multinational companies to limit fiscal dumping, elimination of tax havens, introduce a capital levy and a tax on carbon dioxide emissions and on nuclear wastes.
- l) Internazionalization of external diseconomies through Pigouvian taxes: responsible for ecological damages should be charged through eco-taxation. Of course, it is necessary first to offer an alternative to pollutive activities. For instance, according to the International Center for Technology Assessment the "social price" of 1 litre of oil would rise from 2\$ to 14\$ per gallon,⁹ a price that would probably cause the end of commercial aviation.

Many of these ideas have already been discussed in political debates or in economic books or newspapers or in committes. There is a general awareness on the ideas, but there not the conditions to implement them. In this sense degrowth is supposed to happen like a revolution: not in suddently turning reality upside-down, but in the general attitude and approach.

⁹ Available on www.icta.org

2.6 – Conviviality and ricover of social values

“ The price for freedom is the destruction of the economy as the main and, in fact, unique value. Is the price that high? I believe it is not: I strongly prefer finding a new friend instead of a new car. Of course, my preference is subjective, but what about objectively speaking? I prefer leaving to philosopher of politics the task to make consumption the supreme value” (Castoriadis, 1988 cited in Latouche 2008, p.110) The Greek philosopher Cornelius Castoriadis, considered one of the most important forerunner of degrowth, was convinced that the main mistake is to try to reach the solution “inside” the economy. The economy is the problem: the supremacy of economic principles overwhelmed social ones. As explained in first chapter, it is necessary to quit the economy of appropriation and accumulation otherwise every attempt to change would be neutralized. Economic science should be in the service of social matters and not the opposite.

The economists of degrowth strongly believe that this revolution is possible as the capitalistic economy generates frustated and unhappy individuals (see 1.9). There is a will to change in most of individuals, sometimes unconcious. The results of 2005 survey of Financial Times in United States show that between 1960 and 2000 the average richness has tripled, while the proportion of happy people keeps on decreasing.¹⁰

The way for happiness is identified in two binding elements: (i) the spirit of gift (ii) the ricover of social values. The spirit of gift is the most philosopic part of the economy of degrowth: it consists in accepting the gift of nature and thus to feel in debt with nature itself and with other human beeings and creatures. “ before every appropriation by human beeings, there is a gift from nature. Individuals should try to accept this gift in order to accept the others” (Berthoud, 2005, cited in Latouche 2008, p.114) The ricover of social values concerns the rediscover of family values, of social relationships and the social consciousness. “The key concept of a theory of happyness is relationships” (Bruni, 2007 cited in Latouche 2010, p.110). Economists of degrowth aim to reach conviviality as a result of the two elements. Conviviality is the pleasure of a conversation, of a meeting, of social relationships. It cannot prescind from a path of decolonization of thoughts and the acceptance of the spirit of gift. “It is the spirit of gift to make degrowth a convivial degrowth” (Latouche, 2008, p.115)

¹⁰ Le monde, 16th july 2005

2.7 – Experiences of degrowth

Is degrowth completely revolutionary? The answer is no. It is possible to identify various experiences of degrowth developed in these recent years. Besides, it is such a broad concept that can include lots of cases in its range. For instance, *local exchange communities* which purchase and promote goods from local producers to avoid the ecologic cost of transport and give preference to biologic food. There are many of them all over the world, sometimes a bit different from each other but with similar purposes. In England there is the Community Supported Agriculture which assures natural, local, ecological food and transparent information on products.¹¹ In France AMAP (Associations pour le maintien d'une agriculture paysanne) plays a very similar role: apart from promoting biological food it tries to avoid intermediaries between producer and consumer. In Italy there are GAS (gruppi di acquisto solidale), furthermore many prefectures refuses to provide GMO.

An other important example is *time banking*. It is an interesting case of alternative currency (see chapter 3) in which time is used instead of money. It is considered by economist of degrowth an effective way to fulfill the reappropriation of money. Time cannot be speculated, printed or depreciated. Basically the system consists in people offering hours of their time providing a service of whatever kind. An hour of service give them an hour of credit which they can use to receive a service by an other individual. Hours have the same value regardless to the type of performance. Today, there are 26 countries that make use of time banking, only in UK there are 250 small communities adopting it.¹²

The introduction of 35 hours working week in France in 2000 is a very interesting case. It was proposed by the socialist government and it raised remarkable skepticism. The reform was actually not that effective: the current average working week is now 39,4 hours. The problems is that many other reforms did not push in the same direction : French government “allowed companies to negotiate working hours with their own unions and with tax exemptions on overtime” (Financial times, 6 January 2011). However, some companies found more convenient to hire because employees working more than 35 hours can claim overtime. According to

¹¹ <http://www.growingcommunities.org/about-us/key-principles/>

¹² <http://www.timebanking.org/about.asp>

gouvernement estimates, the introduction of the reduced working week created between 300,000 and 350,000 jobs and increased productivity of 4-5 percent.¹³ The problem is that at the same time industrial costs increased and government needs to provide incentives (estimated to amount €22bn) to companies to allow them to bear the new costs of labour.

In 2006, in Ireland, the movement of *transition town* was founded. The aim of the group is to create sustainable cities characterized by low energy consumption, autonomy and low dependence to oil. Resilient communities, which have found the equilibrium in their own ecosystem. An important percentage of transition town initiatives are located in Europe (roughly 500 hundred), United Kingdom is the most active country with around 250 initiatives. North America counts between 320 and 330.¹⁴

2.8 – Converting to a sustainable system

Human reaction to ecological issues is, in most of cases, to deny or ignore the problem. In other cases some perceive the problem and detect the responsible to someone else which is cronologically or phisically far away. Despite there are some cases of individuals which are responsible and careful, which carry on initiatives and do whatever they can to reduce their ecological impact, this appears not even close to be enough. Until the overshoot will not heavily compromise every life and well being, a general inertia will prevail. However that moment will turn out to be too late. For these reasons, the first step to a sustainable society has to be a change in the main structure of the society. The main purpose is to change individual's motivation ideas and goals and the best way to do it is changing the logics of the world in which they live. For instance, limiting births without providing individuals with a general consciousness, would lead to increase per capita consumption and thus keeping the total impact barely unchanged.

Donella Meadows (2006) made huge efforts in the attempt of indentifying a set of policies which could lead to a sustainable system with a time perspective of 50-100 years. All models were simulated in a computer which takes into account a huge quantity of variables like available technologies, population, average footprints and so on. After various failures, she was able to

¹³ <http://www.ft.com/cms/s/0/1efe62fa-19c6-11e0-b921-00144feab49a.html#axzz24Ha3tJ1x>

¹⁴ <http://www.transitionnetwork.org/initiatives/map>

build a theoretical model in which the system do not fall in ecologic debit:

- average family size of two children, assuming perfect birth control effectiveness
- modest limits for material production
- technologies with a development delay of 20 years which improve efficiency of resources use, decrease pollution per unit of industrial output, limit land erosion and increase land yields

The results showed that after a century 80 percent of non-renewable resources used in industry would be saved and industrial pollution would be reduced by 90 percent. At the end of the century world population would be around 8 billions people consuming at a sustainable level. (Meadows, D. 2006). Of course, it is unthinkable, at the moment, to have a unique common policy spread all over the world. Moreover, limits to production and birth are very difficult to implement and control. *Conditio sine qua non* for the effectiveness of these policies is the consciousness mentioned above, which gives individuals the desire to limit their overshoots. Meadows comments: "The model's numbers and its assumption are not that reliable. No model can make precise, accurate statements about the globe 30 to 50 years in the future" than she specifies "World3 (the name of the model) serves, in some ways, as an architect's sketch. [...] It helps us think, in general terms, about the future in which we wish to live" (2006, p. 251).

The problem is that, because of the high uncertainty, of the many variables to be considered and of the unpredictability of the evolution of technology frontiers, it is impossible to make reliable long term plans. The result is the inertia that is characterizing human's behaviour nowadays. For this reason, any long term model which tries to devise a proper policy has to be taken in consideration. Moreover, a general pattern of what should be done could empower worldwide organization for a common planetary policy of sustainability.

2.9 – Degrowth in developing countries

What is the approach of economists of degrowth toward non-industrialized countries? Which are the main guidelines for realities in which environmental exploitation is still at acceptable levels and natural resources can largely bear residents' lifestyles? To answer to these questions Maurizio Pallante (2007) presents the cases of Cuba and of the Green Revolution. The

agricultural market in Cuba knew a period of crisis after the fall of the Sovietic Union which was usual to import products at a high price. However, after some years Cuban agriculture turned in biologic agriculture offering a wider range of products and employing more farmers. The economic degrowth originated by the conversion of an exportation-oriented to an internal market dedicated agriculture improved residents' quality of food and environment.

The green revolution, American's initiative to make use of fertilizers in developing countries during Cold War, lead to a remarkable increase in agricultural output in many countries, especially Mexico and India. According to Fao's measurements, the productivity of a hectar dedicated to corn raised from 0,9 to 4,5 tons between 1947 and 1954 (Pallante, 2007). Nevertheless, world famine increased: according to ILO (International Labour Organization) famine and malnutrition rapidly increase right in the areas which knew The Green Revolution. The two cases mentioned are illustrative examples of how can be harmful to have a production system at the service of exportations in developing countries. First, exportations usually leads to monoculture which causes malnutrition. Second, foreign demand forces to exploit land over the limit and to compromise its fertility. Third, local farmers have to compete with big producers and thus they have no bargaining power.

Analogous arguments are supported by Latouche (2009), who focuses on the case of the African continent. His claim is that despite at the moment an "ecologic degrowth" is not necessary, the continent should prevent the damages of industrialization and capitalism. He proposes a plan which can be summarized in few points:

- a) reach autonomy from western countries
- b) substitute foreign currencies with local currencies
- c) abolish monocultures for exportations and replace them with production for local market
- d) in case of excess of raw materials, try to produce through domestic industry

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Chapter III – Changing the economical and political context

3.1 - Globalization and localization

The gradual elimination of barriers, the free market, the fast spread of information through internet and the policies of acceptance are affecting every country in the world. Globalization stands out for a wide public, spread across the world, as one of the defining terms of contemporary society. The twenty-first century has been defined as the first 'global century'. The first director-general of the World Trade Organization (WTO), Renato Ruggiero, described globalization as a reality which overwhelms all others (Schorte, 2004). Although globalization is commonly accepted as something extremely important, there is a general confusion on what exactly it entails and how individuals should respond to it. The idea of globalization, even if confused, different and contradictory has spread in an impressive way. Some people have associated it with prosperity, progress and peace, for others, however, it means harms, disaster and deprivation. A common notion has conceived globalization comparable to internationalization. Global would be just an other term to identify cross-border relationship and globalization designates a growth of international exchange and interdependence. An other common interpretation is to associate globalization to liberalization, i.e. remove restrictions of movements between countries in order to create a world economy. There is also a third idea which translates globalization in "universalization" . When Oliver Reiser and Blodwen Davies (1944) coined the word globalize they intended it as universalization of planetary cultures. Very close to this interpretation, some analyst refer to an other definition that matches the idea of westernization. Globalization would thus consists in the loss of local cultures and self-determination process which give place to the massive invasion of western culture. Finally, globalization is interpreted by some experts like David Held and Anthony Mc Grew (Schorte, 2004) as a phenomenon of *respatialization*. Due to the elimination of barriers and to the thick connection between countries, the social space can no longer be wholly mapped in terms of territorial space or borders. All these interpretations present some overlapping concepts but at

the same time they are somehow contradictory: for instance the theories of internationalization and respatialization develop very different understandings of the process.

Whatever is the definition we refer to, the critic to globalization conciliates various economists, included the economists of degrowth. 2001 nobel prize in economics Joseph Stiglitz writes in his *globalization and its discontent* (2002) that opening international trade helped some countries to grow far more quickly than they would, allowed economic development and that many countries faced an increase in the standard of living and in life expectancy. "Globalization has reduced the sense of isolation felt in much of the developing world and has given many people in the developing countries access to knowledge well beyond the reach of even the wealthiest in any country a century ago" (2002, p. 4). However, he specifies: "if globalization has not succeeded in reducing poverty, neither has it succeeded in ensuring stability. There are fears of financial contagion spreading around the world, that the collapse of one emerging market currency will mean that others fall as well" (2002, p.6). Thus, the point of Stiglitz is that interconnections between different realities generate problems of instability. Then he remarks the problem of exploitation of developing countries by the so-called industrialized countries: "The critics of globalization accuse Western countries of hypocrisy, and the critics are right. Western countries have pushed poor countries to eliminate trade barriers, but kept up their own barriers, preventing developing countries from exporting their agricultural products and so depriving them of desperately needed of export income" (Stiglitz, 2002, p.6). This last point is strongly supported by economists of degrowth, while at the same time they do not really trust in the economic benefits of this phenomenon. They believe in the *universal rationality* of the cultural globalization, and approve phenomenons like the share of knowledge, techniques, traditions and languages. However globalization pressures are negatively affecting each state welfare because of the need of more competitiveness. Moreover, the creation of the common market is destroying the internal market of developing countries. It is commonly accepted that globalization is increasing differences between North and South of the world. The United Nations Development Program reported in 1999 that globalization is enlarging the gap between rich and poor countries (Tan Sor-Hoon, 2005). Finally, the huge amount of commercial exchanges that globalization leads to makes it incompatible with relocating, fundamental

principle of degrowth movement. Latouche, as well as Pallante strongly believe in localism, decentralization and autonomy.

Observing world societies, there are evidences of a trend toward localism and decentralization. The loss of power and identities of national countries is at the same time allowing the rise of local powers. As Piero Di Giorgi (2008) explains, post-national era is thus characterized by this two tendencies that pushes against each other even if they are result of the same phenomenon: “ as well as empowering super-national processes, globalization pushes also toward levels of *microterritorialization*, through which a consistent part of power is transferred to local and regional levels”, then he continues: “ this phenomenon generated the term *glocalization*. The dangerous selfishness of competitiveness lead to a rise of barriers and protectionist policies, regionalizing wealth and growing barriers inside the States. [...] As Dahrendorf remarks, one thing is the municipality, which is a small self-government community, an other thing is the homogeneous region which tends to be externally intolerant and internally aggressive” (Di Giorgi, 2008, p.21) Prefecture would be the right compromise between autonomy, independence and being open and tolerant.

Zygmunt Bauman (2005) developed a concept which tries to combine globalization and localization in an unic vision that accepts and empowers both of them: *glocalization*.¹⁵ More precisely, he argues that glocalization is the correct term to describe how the real world is changing while globalization is claimed to be an ambiguous word. Focus on globalization has overwhelmed local aspects. In order to understand a reality, it is necessary to focus on both global and local. Glocalization embodies the idea that the context of social dynamics is local communities. It starts from the local and from simple systems to reach more complex ones. This is not a movement against globalization, it is an other approach to interpret reality and organization which starts form the bottom: glocalization focuses on individuals, on relationships, on local heritages (Bauman, 2005).

It is important to remark that the revolution of degrowth considers localism in a very broad sense. Indeed, it involves the economic sphere as well as the financial, political, social and cultural ones.

¹⁵ The term was invented in Japan, in 80's but it was developed by Bauman

3.2 - Economic localization

Michael Shuman of the Washington-based Institute for Policies Studies in his groundbreaking book *Going Local* described the aims of the localization process as one that “does not mean walling off the outside world. It means nurturing locally owned business which use local resources sustainably, employ local workers at decent wages and serve primarily local consumers. It means becoming more self-sufficient, and less dependent on imports. Control moves from the boardrooms of distant corporations and back to the community where it belongs” (Schuman, 2000, p.84).

As explained in first chapter (1.7), most of goods consumers purchase travels for thousands of kilometers before ending up to its final user. Economist of degrowth calls this situation *eteronomy*¹⁶. Production, manufacturing and consumption should all happen in a local context. First of all, it is necessary to reach food independence: producing as much as possible in local farms and consuming seasonal food. The Holland Institute for the Country Economy stated that 16 million Dutch could live with local biological food (Latouche, 2008). Second, local small-medium firms should be sustained to allow them to bear the competition of multinational companies. “An employ in big distribution sector takes off five employes in proximity commerce [...] according to INSEE (Institut national de la statistique et des etudes economiques), the rise of big stores in France (at the end of sixties, a/n) caused the disappearance of 17% of bakeries, 84% of butchers and 43% small shops” (Latouche, 2008, p.141) Third, introduce a new local monetary system (see 3.3). The monetary autonomy is a crucial point for an autonomous fiscal policy, to avoid speculation and to control movements of capital.

The drastic reduction in the average trip that products need to make can give the society different positive effects:

- reduction of oil consumption and oil dependence
- reduction of traffic, especially in highways
- reduction in pollution
- reduction of serious road accidents

¹⁶ Opposite of autonomy

Moreover, local production can be easily controlled and verified by its local consumers. The huge distances between producers and consumers makes it impossible to have a direct control on how and where things are produced. Individuals should have the right to choose whether to buy or not something that is not natural or that is produced through exploitation of labour in developing countries. Proximity, despite can cause some renunciations due to the natural limits of the place of residence, allows consumers to make sure that products are biological and produced by local workers. Furthermore, massive large-scale production causes lots of wastes of food. This is because it strongly suffers market fluctuations which, at global levels, are barely unpredictable. The European Commission estimates that up to 140 million tonnes of food and plant rubbish are produced each year in the EU, amounting to 300 kilos per person, two thirds of which is edible.¹⁷ Producing for a small community makes it easier to not overproduce. Finally, proximity to roaster markedly reduces intermediate costs on goods like the number of distributors, transports and advertisement.

But what about goods that cannot be produced in a local context? Pallante explains that commercial trading is acceptable whenever the following conditions are respected:

- a community should never export something that is needed inside the community, i.e.: always give priority to local consumers.
- a community should never import something that can be produced locally, even if at a lightly higher price.
- a community should trade only with communities that adopt the same model of local production and following proximity principles.
- a community should fight against pressures and temptations toward consumers to desire products that need to cover long distances.

Pallante argues that eating and drinking what the biological area in which each individual lives is adapt to produce is not a sort of renunciation, it is rather a detoxification from poisoned food and preservatives. Moreover, it allows to release from the current economic system: “local production is thus characterized by a political worthiness in opposition to economic mechanism

¹⁷ Datas available on www.euractive.com

that generates it (global production, a/n) and a cultural value of release from mental schemes imposed by total *commodification*".

3.3 – Re-appropriation of currency

The idea beyond the term *financial localism* is not completely defined and clear between different authors. Some interpret it as the decentralization of governance of public finance. Budget decisions, financial decisions making and collection of taxes: usually we refer to these concepts as *fiscal decentralization*. An other ambiguity arises between financial localism and *Microfinance*. Microfinance is claimed to be a set of specific and ethic tools of finance that helps individuals who are unable to access the credit market. Typically it is used (or claimed to be used) to help local weak realities or small firms. However, the idea of financial localism (or devolution) presented by economists of degrowth refers to the changing context of financial scenery that nowadays is global, massive, uncontrolled and unlimited. The excessive amount of transactions, speculation, and the overhanging financial power have been discussed in first chapter (1.4). Beyond the interventions already mentioned like controlling or closing down the stock market or introducing a Tobin Tax, the approach considered in this paragraph is to intervene in the currency system.

Serge Latouche introduced the concept of *re-appropriation of money*: currency and currency management have been privatized, it is indeed in the hands of banks. Money is a tool of exchange belonging to the community and thus there is no alternative for it to be public owned. In different European countries national banks which coins currency are owned by private banks or entities. In European Union, these banks have quotas on The ECB (European Central Bank) which determines European policy on currency. Despite the various hindrances, it is necessary to fight the influences of banks on monetary policy. It is hard to imagine, anyway, that re-appropriation of money could happen through initiatives from the top. Indeed, nowadays the trend shows that citizens are getting more and more distant from monetary policy decision making like it is happening in European Union with Euro currency. Latouche argues that local communities should adopt local currencies accepted inside the community and limit the use of

official currency. The attempt would be to reach some positive effects like:

- reduce the dependence to monetary policies of official currencies
- incentivize purchases of local products and services
- limit circulation of capital

This point is anyway simply mentioned with no explanations of how this could happen. Re-appropriation of money is not a particular policy or reform, it is for the moment just a guideline, a principle to follow in making monetary policy choices. Indeed, the concept is quite new is Lotuche's theories (2011) and it is yet to be developed. However, analyzing reality, there are some experiences in which the principle of re-appropriation of money can be identified.

In the town of Worgl, Austria, there stands a bridge whose plaque commemorates the fact that it was build by debt-free, locally created money. This was just a small part of a significant experiment that transformed towns and whole areas out of poverty within three months and into prosperity within one year, at a time when there was widespread unemployment in the national economy (Ekins, 1986). In 1929, the major of Worgl proposed a plan to issue local currency to the value of 30,000 Austrian schilling notes, which where called 'tickets for services rendered'. This new currency presented some particular characteristics: each month the value of each ticket decreased by 1 percent but revalued by the simple purchase from local authorities of a stamp. The result was that notes circulated with notable rapidity. They were first used to hire employees for the building of streets, drainage and other public works by workers who would otherwise have been unemployed. In just one month, taxes were paid, unemployment reduced and local shopkeepers prospered. This episode lasted five years and it has been defined as *the Worgl experiment*. The success of the experiment induced neighbour communities to adopt the same system. A nearby town, Kirchbilch, followed suit with a similar program. Prominent people, including Daladier of France, visited Worgl and claimed to be enthusiastic. But when the example threatened to spread, the Austrian national bank took legal action against it. After a long lasting legal battle the Austrian supreme court decided in favour of the bank, and the local currency was banned. The strength of this experiment was to create a local currency which allowed to obtain interest-free credit for the purpose of funding public works.

In British Columbia (Canada) and in some Australian communities, a system of local currency

has been introduced, called Local Exchange Trading System (LETSsystem). The first and so far most developed of the twenty or so LETSsystem currently operating was established in the Comox Valley, in 1983 (Elkins, 1986). Its unit of currency is the green dollar which is tied to the Canadian dollar. Landsman, the creator of LETSsystem defined it as: "a self-regulating economic network which allows its members to issue and manage their own money supply within a bounded system" (Elkins, 1986, p. 201) The peculiar characteristic of LETSsystem is that there is no need of any scrips¹⁸ as it is based on a network system of credits. Transaction are recorded in a central location accessible to all members. The term "transaction" refers to any source of credit like the performance of a plumber or of a nanny. Every seller is entitled to know the balance and the turnover of the buyer's account, a buyer in significant green dollar debit should find it difficult to obtain goods or services. There is also no provision on deposits or credit creation. Thus the accounts always sum to zero: one person's credit is an other's debit. LETSsystem is trying to reach an important step for decentralization: the payment of taxes on green dollars through green dollars, while at the moment taxes must be paid converting some green dollars in national currency. In the system there is also a provision for the creation of a community bank named LETSfund. The LETSfund would be a locally managed non-profit society, incorporated under customary local regulations to provide finance to its members. The crucial difference between LETSfund and a normal bank is that LETSfund does not make loans. It provides finance on a partnership basis, sharing the risk and the profit of any investment. The question of interest, therefore, does not arise. The LETSsystem of local currency is an important tool for local economic development. Because transactions have to be between members, and members have to be locally based, the green dollars can only circulate in their local community; the means of exchange cannot be siphoned off by powerful interests coming from elsewhere. Its simple relation to the national currency facilitates national taxation questions and also simplifies dual pricing in the community, by which each good or service could eventually be characterized by two components in its price: the green dollar component which represents the added value coming from the community and a national currency component representing the proportion of the product which had to be imported from outside. Buyers would therefore be

¹⁸ Material substitute for cash

able to tell simply looking at the price of an article the extent to which they were supporting their local economy.

The Worgl experiment as well as the LETSystem are examples of creation of local currency, there are anyway two more kinds of currency decentralization: complementary currency and community currency. However, the boarder line between local currency and complementary currency turns out to be confusing and contradictory. Some authors considers LETS an example of complementary currency, some others persist in calling that model as local currency. It is not uncommon, finally, to hear that a certain monetary system is a *local complementary currency* system. The difference, if it stands, seems to be in the approach: the term local currency underlines the purpose of separating from national economy through a close system which relates with the external environment just for basic needs, the term complementary currency, instead, emphasizes the wish of coexistence between the two currencies which together can grant the right equilibrium to the set of communities. Considered this, for the purpose of this job the two terms can be considered without any distinction.

A very modern practice of re-appropriation of money is being used nowadays in Italy, since 2008 and it is called SCEC¹⁹ archipelago. SCEC is an association which does not correspond to a geographic area, i.e. its members are scattered all over Italian peninsula. Its peculiarities distinguishes it from a complementary currency. Indeed, the use of its currency, known as *solidarity coupon* is accepted only between associated and only associated can dispose of them. Moreover, every associated can choose up to which percentage he is willing to accept payments in solidarity coupons. Goods sold through SCEC system are subjected to discounts in order to incentivize investments in local distribution chains. SCEC is actively operating in regions like Lazio, Campania, Toscana Umbria, Calabria and since 2010 Italian internal revenue service has recognized solidarity coupons as a currency.²⁰

Community currency is instead a more distinct concept that can be considered quite less revolutionary than local currencies. Ghosh (2008) explains it as follows: “community currency approach is defined as local system of production, multilateral exchange and consumption

¹⁹ SCEC: Solidarietà ChE Cammina

²⁰ All information available on scecservice.org

articulated through a local currency, a single-purpose money, independent of, but often related to, the prevailing national currency” (Ghosh, 2008, p.89). The community currency schemes help the poor to form network to trade goods and services that they need. The price is reached through mutual agreement between buyers and sellers. Community currency is sometimes included in the concept of microfinance: “Similar to other microfinance interventions, such as credit associations, rotating saving schemes and village banks, the community currency project forms groups and rely on membership to develop networks” (Ghosh, 2008, p.90). However, community currency is more critical: it adopts a different type of currency, it is more common in developed countries and shows more concerns with environmental protection.

Analyzing the scenario of the re-appropriation of money by communities and the spread of financial localism it is necessary to consider what should change in the bank system to adapt to this new dynamics. Latouche does not go further than giving some general guidelines in this context: banks should back to act as banks, borrow and lend capitals and give support to local development and investments. Stop trading bonds and all form of derivatives from all over the world, be transparent and make the service his priority instead of profits. Recognizing that this last condition is quite hard to reach as banks are private, he suggests to nationalize bank system.

Ekins (1986), who studied the phenomenons of local currencies, presented a banking system that he named *decentralized banking*. First of all, he identifies the problems of the current banking system: “It should be kept in mind that credit creation at present is the prerogative of the banking system; that the credit that banks generate goes far beyond the sums they have on deposit; that the interest they charge on credit reflects a monopoly price of access to liquidity and is far in excess of the administrative or other costs in providing the service, nor is it based on the risk involved in the investment; and that the debt thus undertaken by the borrower, who is often a local or national government, is correspondingly burdensome. The decentralized banking system gives the power of credit creation to democratically-accountable community organizations” (Ekins, 1986, p. 207). The system of decentralized banking works if the following conditions are satisfied. First, credit should be granted only to self-financing projects. Reimbursement of credits, interests included, should be financed through future savings and

not through past savings. This is important because if capital is taken from past savings that means that resources from an other investment are taken. In this way, instead, the economic condition of equilibrium of savings equal to investments is satisfied. Thus, the role of the decentralized bank is to grant credit to appropriate investments. Ekins is concerned about the relation between banking loans and social development: good technologies should allow an investment to be self-financing and those kinds of investment and only those kinds should be financed by credit market. Through this system of self-financing, credit creation becomes inherently non inflationary²¹. Second, before granting the credit, the social and environmental desirability of the project should be assessed through a combination of market forces and local strategy planning. The credit would be obtained in the first instance from a community bank which would rule on the project' overall desirability. The credit would be refinanced through a credit insurance institution, which would charge a fee to guarantee the self-financing nature of the project. Third, credit provision should be done using local currency. This last point is not in the background. Not all the estimated self-financing projects will actually be successful and in that case the community or country concerned can easily spiral into the debt trap. The international economy today amply illustrates the danger of being in debt to other countries. All these dangers are bypassed if a local currency is used to finance the development: future savings stay and circulate in the community; the risk of failure is accepted internally and, while failure will still lead to loss of consumption, it does not result in the debilitating cycle of debt and dependency. Moreover, borrowing money from outside implies direct costs of the foreign transaction deriving from the fact that the interest charged on the foreign loan may well be in excess of what justified by the investment's risk. Finally, an other advantage of creating credit through a local currency is that It enables the community concerned to decide its pace and direction of development. It can choose the self-financing projects that more fits the specific environment concerned.

3.4 – Political decentralization

²¹ The self-financing peculiarity avoids the problem of infinite debit accumulation through interests

When considering political decentralization (or devolution) it is important to distinguish between the economic role of political institutions and the mere political power. In the first case, decentralization means provision of public goods and services at a more local level. In the second case we refer to involving prefectures, small communities and citizens in decision making and in political mechanisms. The purpose of this paragraph is to consider first public goods and then political participation.

Wallace Oates (1972) is the primogenitor of the modern economic theory of federalism. According to Oates, the devolution of administrative power to local authorities allows a better matching of service provision with citizens' preferences. In particular, because of its superior knowledge, a product of the close relationship between local politicians and local voters, local government can provide the quantity of goods and services that best meets local preferences. "In a world of perfect information, a benevolent central planner could presumably introduce the differentiation in local output required to maximize social welfare. The traditional response to this point is to argue that, in reality, there exists important imperfections in information. More specifically, local governments are much closer to residents of their respective jurisdiction; they possess knowledge of local preferences and cost conditions that are hard to come by for a more distant central agency" (Oates, 1972, p. 83).

The model assumes that in each local reality preferences are uniform or at least less varied than the preferences of the whole state. Moreover, *Oates decentralization theorem* ignores the loss in economies of scale. An other important assumption is that there are not *spillover effects*, i.e. the benefits and costs of the provision of local public goods and services are taken to be limited to local residents. Oates introduces his theory taking into consideration three jurisdictions²² (A,B,C) calling A, C two local jurisdictions and B the central jurisdiction. Assuming that H is the constant marginal cost of supplying the public good and DA, DB, DC respectively the utility functions for community A, B and C, the model is presented in figure 2.1.

Q_c is the efficient quantity for jurisdiction C and Q_a is the efficient quantity for jurisdiction A. Suppose, however, that instead of decentralized outcome, the central Government determines that an uniform level of output Q_b is to be provided in all jurisdictions. It is straightforward to

²² Oates refers to jurisdiction instead of communities

measure the loss in social welfare from centralized provision: the loss is triangle FDE for members of jurisdiction A and triangle GDC for members of jurisdiction C. It is thus clear that, in this setting, a uniform centrally determined level of local public outputs will result in a lower level of social welfare than an outcome in which each local jurisdiction provides its own optimal output.

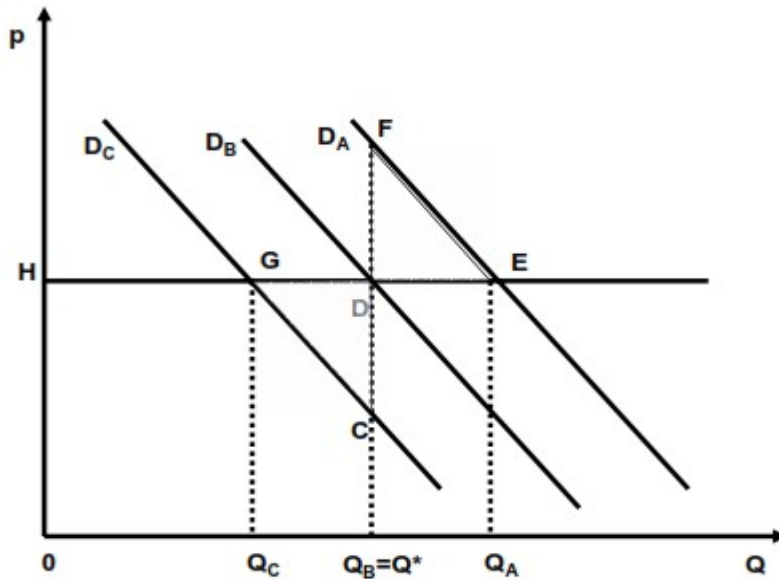


figure 2.1. Oates decentralization theorem

Oates decentralization theorem occupies a prominent position in economic theories. Of course, it has to be considered in a proper way. The social benefits in decentralize do not concern every service; The meaning of the theorem is that whatever cannot be left to private initiative should be left to the lowest possible level of government. This means that the spatial boundaries of the benefits of a particular service should be reflected by the level of jurisdiction of the service provider. For instance, train and air transport should belong to national scopes. No specific recommendations are given by economists of degrowth in this context. However, the principles of relocate and proximity needs an integration because private and public context have different dynamics. Is it really possible to design a system characterized by local communities (of whatever size) characterized by local production, local currency and services provided by a national state? The answer to this question is probably no, but some considerations have to be made. First, as previously explained, degrowth is a set of guidelines which still need to be

developed. In some cases it can be easily translated in specific policies, in some others not. Second, there is no evidence that economists of degrowth are supporters of federalist theory. The relation between national states and communities is never mentioned: probably because of the crisis of national identities mentioned above talking about globalization. The point is that economist of degrowth believe in “intercommunity” institutions which care about global matters like ecological phenomena or about peaceful relations and global well functioning. Political context should happen for the most part inside the community and in relationships between communities, higher level institutions would be commissioned of can be defined as solidarity purposes. In other words, few consideration is given to the current political borders and thus consideration on federalism or on contracts between national and local authorities would make few sense.

Globalization has increased the distances between who takes decisions and who is affected by those decisions. Degrowth dynamics pushes exactly toward the other side: the purpose is to make politics independent, local and closer to citizens.

Currently, we are living in a context of crisis of trust in political institutions. This phenomenon is characterizing almost the whole Europe. In 2009 European Parliament elections no-voters were around 57%²³. At the same time political parties have seen their members decline barely everywhere. In Italy during the last decade they knew a decrease by more than 2 millions members²⁴. Parties are very hierarchic in structure, the democracy inside them is very weak and they are very centralized on their leaders. Moreover, phenomenon like bipolar systems and presidentialism are compromising the effectiveness of democratic channels in politics. Furthermore, in 'politics trade' the collection of consensus is still predominant with respect to the effective implementations of reforms. The origins of the crisis of representative democracy is identified by the Norwegian political scientist Stein Rokkan in what he calls the politics of *cleavages*²⁵. Rokkan argues that European main political parties are rooted on four conflicts: city centre/suburbs, State/Church, country/town and capital/waged. These conflicts are outdated

²³ Italy 33.5%, Slovakia Lithuania Romania Poland Czech Republic between 70% and 80%, Germany France Spain between 55% and 59%

²⁴ www.ladecrescita.it

²⁵ conflicts

and unfit to represent new social movements: nowadays there are new sources of conflicts which lack of voice and representation. Globalization, ecologic crisis, computerization, migration phenomenons, mutation of work need a change in the current political systems and in the ideologies represented while, in fact, the old ideologies are struggling to survive against all tendencies. Piero Di Giorgi finds the cause in the lack of political participation: “Western democracies are in fact formal democracies, in which the role of citizens is passive like spectators. They just vote, and not all of them do it, and then they are affected by decisions of every kind”. (Di Giorgi, 2008, p. 63)

Various degrowth supporters like Marco Deriu, Daniele Barbieri, Paolo Cacciari believe in the need of a new political figure which differs from political parties. Latouche refuses the idea of a “degrowth party”: this new political actor, who is just identified as “political attractor” to use a generic term, has to match different logics with respect to political parties. The figure of the political attractor differs from the role of the party leader: his purpose is to involve citizens in political dynamics. First, decentralizing many legislative powers to local prefectures, then sensitizing public awareness of social issues and finally experimenting new channels and new tools through which citizens have more chances to express their consensus, and not using the unique channel of the vote. Representative democracy should turn into a *participatory democracy*. The basic assumption of the economist of degrowth is that increasing political participation rate would not compromise its quality. The boom of channels of information and the spread of *scientization* are generating new emancipated citizens that should be empowered involving them in political, economic and social decisions.

The transition between representative or deliberative democracy to participatory democracy happens through a slow process but this process is already taking place during these years. It is possible to find episodes of direct democracy and, more importantly, of *participatory engineering*.²⁶ In 2002 in Germany, the Green party intervened on German constitution allowing and promoting tools of direct democracy at local level. The declared purpose of this bill was to revitalizing the lost interest of German citizens in political matters. A very similar phenomenon happened two years earlier in Sweden. The Swedish Ministry of Justice promoted institutional

²⁶ The purposive attempt of political elites to increase political participation

reforms to stimulate political participation. The reform was then approved and deliberated with the emphasis on suggestions to enforce local basis of democracy. William Nylen deeply studied the case of Brazil. He explains that in one the most elitist democracies he found a very significant and illustrative case of change. Brazil is very important in the field of political participation as it was the first country to experiment the *participatory budget*.²⁷ (see chapter IV)

3.4 – the size of a local society

So far the discussion regarded localized societies characterized by local production, local currencies and local participatory politics. But, how big should this local government be?

Economic literature developed two main yardstick of measure the size of a local government. The first one is its geographical borders: it is very appropriate when services are related to their spacial context like, for instance, transports. The second one is population: it is a fit measure whenever the context is provision of services like health or education and it is the measure used for the purposes of this paragraph.

According to Charles Tiebout (1956, cited in Banzhaf 2008), if every community had autonomous fiscal policy, the size of each community (or club) would be determined by the number of individuals deciding to move in that community basing on tax-public good condition that best fit their preferences. In other words, offering different fiscal policies would cause the so-called *voting-with-the-feet* effect.

Buchanan (1965, cited in Rowley 2004) in his *theory of clubs*, theorized that because of crowding some public goods are, in fact, club goods. Club goods are “excludable and subject to some rivalry in the form of congestion of crowding” (Sandler, 1997, p.336) for instance like a crowded hospital or a road with traffic. The optimal size of each clubs is the one that make club goods non rival for the club size and rival for each excessive member belonging to an other club. The dimensions of clubs is considered to be endogenous, thus there has to be convenience for the members to belonging to the club.

Forty years later, the two models are still thoughts of many economists which try to complete

²⁷ process of decision making in which citizens decide how to allocate public budget

and integrate them. Anyway, the only variable considered in the determination of the size of each community is the provision of public goods. In the economy of degrowth the reasons for decentralization are also political participation, autonomy and local currencies. Despite it is barely impossible to identify an optimal dimension considering all these variables, it is necessary in some way to consider all of them. Moreover, the perfect size would probably vary among different contexts. In economic literature there is a general awareness that there is an inverse relationship between size government and political participation. The optimal size for democracy, according to literature, turns out to be between 100.000 and 250.000 people. (Meligrana, 2004). Some others claim that it should be even smaller. For the purposes of the well-functioning of a local currency, Latouche identified between 100.000 and 1 million the proper number of individuals. Moreover, the size of communities cannot be considered completely exogenous except in dictatorships. There are cultural problems of amalgamation or smaller municipalities which want to preserve local identity. In chapter IV some specific cases will be examined to see how different realities managed with these kinds of matters.

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Chapter IV – Case studies

4.1 – participatory budget in Brazil

It may sound quite surprising that Brazil is the country chosen as a model to discuss phenomenon of participatory democracy. Considered a developing country, Brazil is usually mentioned to underline the huge disparities of conditions between poorest and richest of which many developing countries are characterized by. Brazil is a federal republic in which electors can vote in central as well as local elections. However Brazilian democracy works like a representative or *elitist democracy*. Politics and political institutions are reserved to a small elite of citizens and they are characterized by phenomenons of clientelism and personalism. As in most of democratic countries, elections are strongly influenced by groups of interests and economic institutions and the establishment turns out to be characterized by a low turnover. Brazil's history, however, does show us repeated instances of non-elite political activism: a series of autonomous non-elite movements emerged in the late 1950s and early 1960s. The articulation of many of these democratic and non-elite political activists into a progressive political party with a clear commitment to further democratization bridged the gap between political institutions and activist citizens.

On November 1988 Luiza Erundina, of the Workers' Party (Partido dos Trabalhadores, PT), was elected mayor of Sao Paulo, Brazil's largest city. Much of the Sao Paulo PT leadership and active militancy were the same leaders and activists of the metalworkers strikes ten years earlier that had successfully challenged both the government and the powerful oligopoly of foreign-owned automobile companies. Erundina was an activist in one of the most radical wings of the Socialist PT. For this reason, Erundina's victory marked the beginning of very important change in Brazilian politics. (Nylen, 2003) The declared attempt of the party was to increase political participation. The PT suffers from the fact that many Brazilians in the late 1980s and beginning of 1990s showed little knowledge and little interest in politics. Alongside the poverty and inadequate education that usually accompany and help account for such views, voter's indifference allows for practices of elitism, clientelism, corruption. Early PT administrators set up Municipal Councils and Popular Councils focused on specific themes (education, public

health, public housing, etc.) hoping that by meeting together in familiar settings and expressing opinion on issues they considered important, participants could channel those opinions directly into the formal decision-making processes of City Councils. In 1989, in Porto Alegre, an important step forward was made in direction of participatory democracy: Olivio Dutra introduced for the first time the *participatory budget (orcamento Participativo OP)*. The purpose of OP was to give voice to citizens giving them access to the most important decision-making process at municipal level: the use of city's money. The way the system works slightly varies among different cities, anyway it is important to see the dynamics of the typical case.

The OP administration calls a series of neighborhood meetings throughout the city to discuss the next fiscal year's budget, particular the spending priorities for public works projects. Every citizen has the right to participate to the meetings. Each meeting begins with officials presenting a rundown of the city's fiscal situation followed by a description of what the OP is and what is expected from participants in the OP. Participating residents at these meetings nominate a list of public works projects for their neighborhood, for the region that surrounds their neighborhood, and for the city as a whole. During the presentation of these project proposals, residents are allowed to express their preferences for one or more projects. A final vote establishes a list of projects, prioritized by the number of votes each receives. Finally, residents nominate a group of delegates (usually one for each ten residents) who will participate in the final prioritization at subsequent regional and municipal OP Assemblies. Before that final vote, administration officials prepares studies and cost estimates for each project emerging as a priority from the neighborhood meetings. With these information available, OP delegates are free to negotiate and network among themselves during the days preceding the final vote. Results are then presented to the city council in the form of budget proposal. The decision taken on the proposal are the result of a negotiation between the city council and the OP administration. OP delegates participate to these negotiations and have the possibility to defend their proposals from amendments that might redirect the use of resources. Of course, the public budget dedicated to the proposals priorities is the total revenue deducted by such fixed costs like public servant wages, interest payment on past debts and ongoing administrative operations.

The procedures of decision-making in public budgets appears to be, theoretically speaking, very

democratic and fit to make Brazilian citizens actively participating political actors. However, the question is: does the system empirically work? To answer, let us consider the case of Belo Horizonte (BH), the capital of Minas Gerais and Betim which is about 25 miles from it. The characteristics of Minas Gerais are very similar to those of the whole Brazilian country: high but unstable levels of economic growth and extremely unequal distribution of wealth. Clientelism and patronalization had long dominated politics and social relations. Public and social services were scarce, if not absent. In Betim, only 30% of households had access to sewers, only 40% of the road were paved and there was not a single hospital bed in public sector. (Nylen, 2003) In this context of poorly distributed wealth, longstanding clientelism and inadequate infrastructure, citizens of Betim elected Maria Perpetuo (1993-1996) and Jesus Lima (1997-2000), both belonging to Labour Party, to govern their town. In 1993, participatory budget were introduced. Over the years, the small city improved what first was an “embryonic-stage” participatory budget. Since the end of 1995, elected OP delegates were offered a training course focusing on instruction in the basics of public administration and budgeting in the weeks before the Assemblies. Just prior to the assemblies, delegates traveled together to visit the priority sites to hear local residents supporting their specific projects.

During negotiations, most council members had shown themselves to represent precisely the sort of clientelistic and paternalistic practices that the PT aims to eradicate: excessive salaries, nepotism, vote buying and clientelistic distribution of public goods. It was not unusual that the council proposed huge numbers of amendments to the proposals, the great majority of which represented efforts to channel OP funds toward 'their own pet projects' (Nylen, 2003) However, the council was subjected to strong pressures by the administrators and by the presence of delegates in the assemblies. These pressures, characterized by the strength of taking the popular voice inside the assembly, forced various times the council to give up amendments and lose some of its decision making power. Moreover, as decisions in public project were substantially made by citizens, a significant source of council members' power and prestige were being compromised. They could no longer claim these projects as gifts to the citizens in return for future electoral support and part of their impressively expensive job was turning from professional to popular.

Supporters of participatory budget practice claim three main benefits for democracy: (i) it is characterized by non-elites politic participation (ii) it is an instrument of empowerment (iii) OP constitutes another layer of political representation, i.e. participants represent the interest of their neighborhoods. To verify the empirical manifestation of those benefits, the results of Nylen's (2003) questionnaires distributed to Betim's 495 and to BH's 1950 OP delegates will be analyzed. For the first assessment, the OP participants for both cities turn out to belong for the most part to non-elites. Results of the survey showed that 69 percent of BH's delegates and 81.1 percent of Betim's, had less than a high school education. This non-elite profile is also reinforced by data regarding delegates' employment status: 59.9 percent of BH's and 64 percent of Betim's are salaried workers, housewives, retired or unemployed. Moreover, the proportion of woman participation is significantly higher than in highest offices. Women constitute 44.2 percent of BH's delegates and 39.6 percent of Betim's while women city council members are 9.5 percent in Betim and 16.2 percent in BH. (Nylen, 2003). Rebecca Abers (2000), who studied the case of Porto Alegre, confirmed that OP markedly reinforced the participation of non-elites citizens. She noticed, however, that most desperate and poor part of citizens living in *favelas* (shanty towns) was barely unrepresented. This fact did not generate big surprise: those citizens have to worry about primary needs and have more pregnant priorities.

The second claim, stating that OP is an instrument of empowerment, is tested comparing the social and political activism of OP delegates before and after OP. While causation cannot be proven, a significant increase in participation would indicate a correlation between participants' experience as OP delegates, and a subsequent 'spillover' participation into other arenas of collective action. Data shows that delegates participation increased in almost all fields (neighborhood organizations, labor unions, religious organizations, cultural entities, philanthropic & charity, municipal councils and others) exception made for labor union activities. The most significant increases were the participation in Municipal councils (25.3 percent in BH and 128.6 percent in Betim) and in neighborhood associations (23.6 percent in BH and 25.6 percent in Betim). Moreover, the proportion of citizens involved in none of the mentioned above fell from 19.67% to 12.22% in BH and from 18.82% to 9.14% in Betim. As

shown in Table 4.1, also participation in party politics knew an important improvement in both cities.

Table 4.1 – Political society participation²⁸

	Member	Party Militant	Candidate Militant	Party Sympathizer
BH				
Pre-OP (1993)	150 (18,9%)	73 (9.2%)	47 (5.9%)	204 (25.8%)
Time of Survey (1998)	186 (23.5%)	81 (10.2%)	68 (8.6%)	221 (27.9 %)
% change	+24.0%	+11.0%	+44.7%	+8.3%
n = 792				
Betim				
Pre-OP (1993)	47 (28.8%)	25 (15.3%)	15 (9.2%)	78 (47.9%)
Time of survey (1998)	64 (39.3%)	38 (23.3%)	19 (11.7%)	78 (47.9%)
% change	+36.2 %	+52.0%	+26.7%	+0.0 %
n=163				

However, data show a potential limit: the majority of delegates was already active before OP (80.3 percent in BH and 81.2 percent in Betim). This could mean that OP failed in involving those most in need of empowerment: those citizens that are faraway from the political scene. The results obtained adjusting data in order to consider only inactive in civil society citizens, show that only 17.7 percent in BH and 26.7 percent in Betim had become veterans²⁹ of OP. Moreover, 53.7 percent of BH delegates and 40 percent of Betim who were inactive before they participated in the OP remained inactive. In party politics, in both cities, between 60 and 80 percent of the delegates remained inactive in political society after their involvement in OP. In order to objectively analyze these evidences, it is important to remark that the period of time considered is only 5-6 years. Granted that “inspire” participation is a slow process, the results of OP, from the point of view of the empowerment, deserve, at least, some consideration. The other side of the coin is that around 50 percent of non-activists became activists in social

²⁸ Nylén, W. (2003)

²⁹ Participants are considered veterans after one year of constant participation

contexts and about 30 percent became political activists. Of course, it has to be remarked that empowerment of disengaged citizens is much slower and harder than of activist.

The third claim states that OP delegates represent the interest of their neighbourhood and region. Three main elements can be identified in order to support this statement. First, there are evidences that OP delegates act in the collective interests. For instance, when they travel as a group to visit the project in their region that they will soon be voting on, many are visiting neighbourhoods they've never seen before. Moreover delegates are affected in some way by these processes of learning about the larger region in which their neighbourhood is situated and by the numerous face-to-face meetings and negotiations with other OP delegates. Such meetings and negotiations help to reinforce horizontal bonds of solidarity across otherwise isolated neighbourhoods with similar needs and interests. Second, delegates revitalize neighborhood organizations. Brazil's neighborhood associations are notorious for being the local-level extensions of clientelist political machines. Nylen comments : "I observed such processes of renovation and contestation between OP delegates and long-time leaders of the more traditional neighbourhood associations. We need to remember that although previously inactive OP delegates in BH and Betim tended to remain inactive [...] that was much less the case when it came to participating in neighbourhood associations" (Nylen, 2003, p.84) Third, OP budget decision-making process improved transparency in the public administration accountability. Putting information about city finances and operations directly in the hands of citizens makes the formal institutions of public administration and political representation more accountable, responsible, and therefore, more representative. Pressures coming from OP delegates participation to city assemblies forced council members to be more transparent and to document expenses. Probably for these reasons in 1996, UN's Habitat II Conference chose the OPs of Porto Alegre and Betim as among the world's most exemplary models of public administration.

Pressures on city council coming from OP procedures forced its members to either go along with the process or to develop legitimate arguments as to why such collaboration is not possible or desirable. Most of Betim's city council members chose the second option. First, political authority claim that the OP is unnecessarily antagonistic to the legislative body. OP delegates do

not actually deny to have a feeling of conflict with the previous decision-making processes. Such antagonism is, however, not unnecessary. Such conflictual situation comes from the historical clientelist tradition and practices of legislative bodies that is also perceived by OP delegates during assemblies as explained above. The second criticism underlines the low and decreasing participation rates to OP meetings. Measured relative to each city's total population, participation levels in BH's and Betim's were indeed low. Moreover In 1996 and 1997 OP processes knew a decline in levels of participation that raised concern about the unpopularity and the unrepresentativeness of OP. However, no OP administrators claimed to expect participation level to be very high, especially in a country with such levels of poverty. The goal was to provide citizens who wanted to and could participate in public affairs with an open and efficacious collective decision-making process and that goal seems to be reached. The declining rates of participation in 1997 are claimed to be due to a concurrent reduction of OP revenues. Indeed, when BH's OP received renewed funding in 2000, participation rates increased accordingly. The third and final criticism underlines that OP process is too chaotic and conflictual and that average Brazilian citizens are too uneducated and inexperienced. Democratic politics is inherently associated with excessive conflict, debate, negotiations and compromise. Slow decision-making and sometimes incoherence and populism are phenomena that compromise the efficiency of politics. However, effectiveness is quite far to be reached in modern autocratic and technocratic leadership: Brazilian (and not only) establishment is characterized by a huge amount of scandals regarding the abuse of public moneys, clientelism, lack of transparency and of democratic accountability.

4.2 – Netzwerk Vorpommern

Rosemarie Siebert and Lutz Laschewski (2010) underline the importance of knowledge in local food practices. They distinguish between scientific knowledge and local knowledge. The first one is standardized, de-contextualised, the second one is "highly variable and non-universal" (2010, p.62) A policy of relocalisation of food cannot prescind from a relocalisation of

knowledge and a reconfiguration of social relations. This is the approach that the European Union is following in this ambit: the project CORASON analyzes the relation between knowledge and valorisation of local food. The problem is that most of country-areas in Europe have been characterized by an export oriented farming. Furthermore, various areas have known mass migrations and relocation: that makes more difficult to crate a common culture of local food compatible with biological conditions.

Under this context, the case of north-east Germany is very interesting and curious. The historical path of its agricultural policy can be related to those in Hungary or Czech Republic. The area has been characterized by a recent settlement which took place in the last two centuries. In XIX century, in the northeast of Germany most part of the land was in the hands of large estates. After the Second World War the land reform established a re-distribution of land properties among lots of small farmers, most of which were refugees from other German territories. The 1945 new boarder divided the peripheral from its urban center (Stettin, now Szczecin) and turned it into a solely country area. After 1989, many farmers coming from western European countries moved into the area to start a new farming activity.

Agriculture in North-east Germany (corresponding to the current Mecklenburg-Vorpommern region) has always been characterized by an export-oriented and massive cultivation. Very few elements of local-food and small-scale production existed. However, despite the absence of local knowledge and local identities, the demand for local natural products started to grow, especially form the tourist sector.

It was with the purpose of meeting this demand of conscious consumers that in 1995 the local Milieu Academy founded a food cooperative association. The association tried also to support local development spreading consciousness on consumers. After few years the association took the form of a regional network, named "Netzwerk Vorpommern", with the purpose of improving the quality of local food and to promote organic products. To assure food quality, it relied on the guidelines of the organic association BIOLAND. The initiative started to face success: network members improved their turnovers and that convinced the cooperative to open a shop named Keimblatt. (Siebert, Laschewski 2010)

The shop acted like a distributor between the growing number of members and the demand for

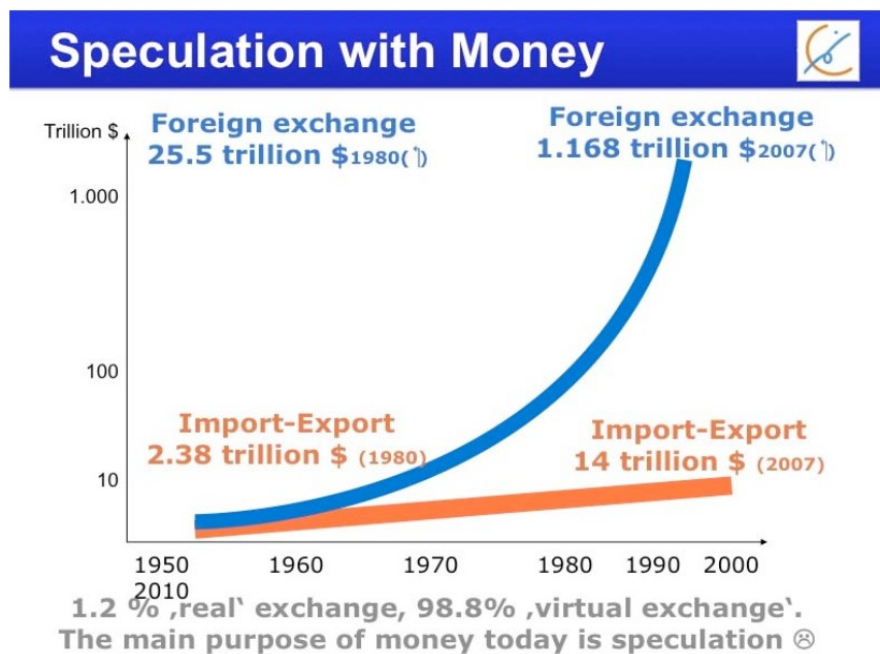
biological products. About 40 percent of the goods in sale were produced locally. The peculiarity of Keimblatt is that it is owned by all the members of the cooperative so that farmers could manage their own products inside the shop. It became soon a point of reference for healthy and high-quality food. Moreover, bypassing intermediaries between producer and consumer made it possible for farmers to have higher margin of profit.

In 1998 Keimblatt shop turned into a private company named Naturkost Vorpommern GmbH (Biofood West Pomerania Ltd) which, however, kept on devolving its profits to the association. The funds of the association, other than supporting local development as mentioned above, started to be used for environmental protection. Moreover, the cooperative began to act in the political context. It is related with local and regional authorities for the purposes of municipal development as a tourist attraction. The association tried to make the most of these relationships to make pressure for legal recognitions of local organic food market. The aim was to increase quality of food standards in the area in order to support local development by one side and to have a competitive advantage by the other side. Moreover, the cooperative tried to extend the organic food sector looking for other producer networks to connect with; however, the attempts ended up with mixed results. The quality standards turned out to be too high for other entities and thus the cost was estimated to be not so convenient with respect to benefits. Furthermore, a general negative attitude characterized the negotiations: distrust and reluctance to lose power of decision making prevailed to collaboration.

Despite the first attempt to expand the initiative has failed, there are some good perspectives for a future development. The constant growth in shop's revenue will make it soon more powerful. New projects could be taken into consideration like the creation of a supermarket or the stipulation of agreements with universities or hotels for the distribution of organic local food. The main reason for the growing success is that managerial knowledge in this field is improving year by year together with the project. The organization has now created expert knowledge in production, processes and quality of food. This professional know-how can be transferred to the adjoining regions. Next step that the cooperative could make is to reach agreements with the closest university (Neubrandenburg) which includes a faculty for food processing that could create new experts for local development.

4.3 – Local currency in Bavaria: Chiemgauer

Money is year by year losing its original purpose of use. The intermediation role in the exchange of goods and services is still important but it is giving way to speculation and hoarding. The ratio between real trade, i.e. the amount of necessary money exchange to cover commercial tradings, and the amount of financial trading is under 5%. In 2007, world trade covered 1,2% while the remaining 98,8% was up to mere financial transactions.³⁰ Figure 4.3a shows the trend of the last fifty years.



4.3a Commercial transactions vs speculation

<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

Christian Gelleri, the inventor of Chiemgauer, claims that the reason for this huge money-bubble is the loss of velocity in currency circulation. This phenomenon causes a whole in money supply: central banks need to print more currency in order to fulfill the demand for money. The problem is that velocity of money has always been considered constant or exogenous so that no interventions to boost it have been made. Before 70's this assumption was acceptable: as Milton

³⁰ Datas available on <https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

Friedman observed between 50's and 70's velocity of all currencies was barely constant. However, as showed in figure 4.3b, since 1980 the speed of circulation of British pound has been characterized by a remarkable decrease.

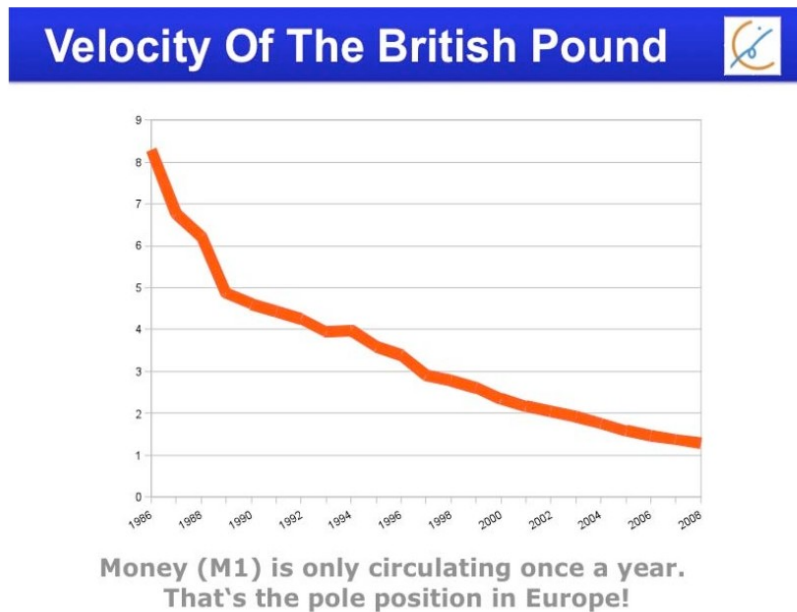


Figure 4.3b - Velocity of the British Pound

<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

But how and why can local currency systems manage to solve these kinds of problems? The explanation can be found in previous chapter which introduced the importance of localizing monetary policy. The small dimensions of the monetary region allows to have a more versatile system that can be adapted to the specific situation and requirements. For instance, introducing a depreciation mechanism can be an agile and easy process. Moreover, local currencies represents an obstacle for speculation as the change from local to official currency usually requires the payment of a fee.

The creation of a complementary currency system requires to find optimal preconditions and to make a set of choices. For instance, should it be convertible with national currency? In most of cases it is. Introducing a successful close system is a very hard task and so far only few project worked, one of this is WIR (standing for economic circle), in Switzerland. A convertible open system, however, requires a balanced choice on the exchange fees. The cost has to be high

enough to induce local residents to keep the local currency and at the same time low enough to attract investments by companies. The balance needs to be positive: the amount of local currency bought has to exceed the amount converted. At this purpose, it is not unusual that a small discount is granted for purchases with regional currency. Whatever is the system chosen, a key point that has to be conceived is *demurrage*, i.e. the fast depreciation of money. The point is controversial and appears to be off-putting especially for individuals usual to save. However, the effect is to make money return to its original purpose of mean of exchange (instead of accumulation) and it's how individuals tend to consider it with demurrage system.

Chiemgauer currency took his origin in 2003 in Rosenheim. The place is part of the region of Chiemgau in south Germany, close to the Austrian boarder and populated by roughly 500.000 people. The idea started as a school company initiated by Christian Gelleri, local manager graduated in business administration and teacher in Walford school. The purpose was to involve families in the project and to increase local business turnover. After three years the expansion of the system convinced Gelleri to divide the project from the school and to manage it personally. Inspired by the Woergl case, Gelleri aimed to improve cooperation, boost local economy, reduce money speculation and reduce transports. The results are shown in figure 4.3c: after few years Chiemgauer started to circulate 2,5 times faster than Euro³¹

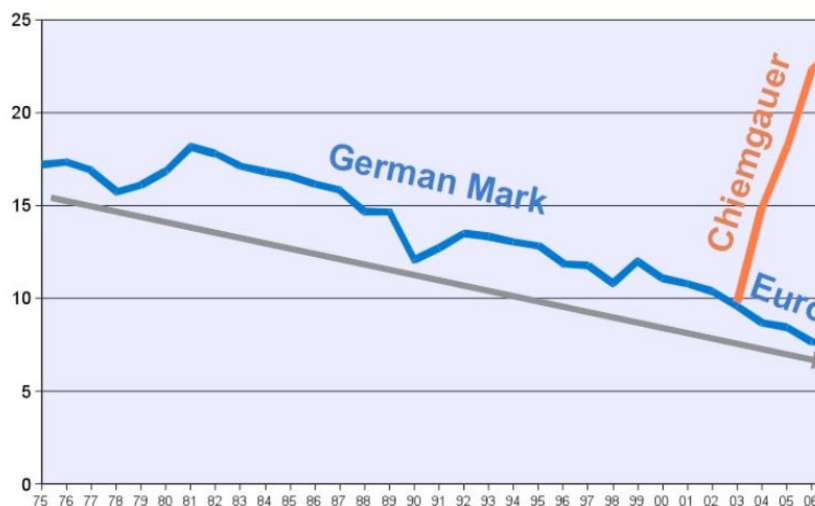


Figure 4.3c Velocity of Chiemgauer and Euro. Source:

<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

³¹ <http://www.guardian.co.uk/money/2011/sep/23/local-currencies-german-chiemgauer>

So, how does the system work? The first peculiarity is that the rules regarding the use and the value of Chiemgauer are decided through democratic mechanisms among members of the community. Chiemgauer is convertible in Euro at 1:1 rate. The currency depreciates of 2% every quarter of year, i.e. 8% per year. Notes can be renewed up to seven times. Payment can be arranged also by debit card, run by Regios, an association of cooperative banks which provides interest-free microcredits for local firms. Shops have to pay a registration fee of 100€ to join the system. Exchanging Euros in Chiemgauer is possible in one of the 50 issuing offices inside the region but it requires to devolve 3% to a preferred local no-profit project. In 2009, monthly average Euro/Chiemgauer exchanges amounted to 100.000€, which means that 3000€ per month were devolved to non-profit projects. Chiemgauer/euros exchanges, instead, require a 5% fee: for 100 Chiemgauer changed, residents get 95€ and the difference is again devolved to local projects. The Issuing offices, then, sell their chiemgauer to re-put them in the economy. The Chiemgauer currency cycle is summed up in figure 4.3d, while figure 4.3e shows the trend of Chiemgauer turnover (Gelleri, 2009)

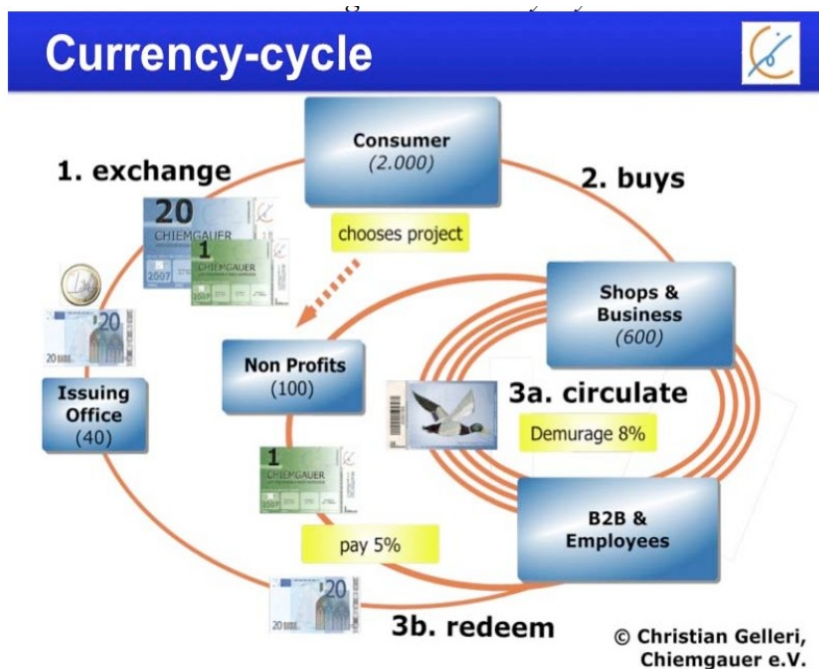


Figure 4.3d - Chiemgauer currency cycle
<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

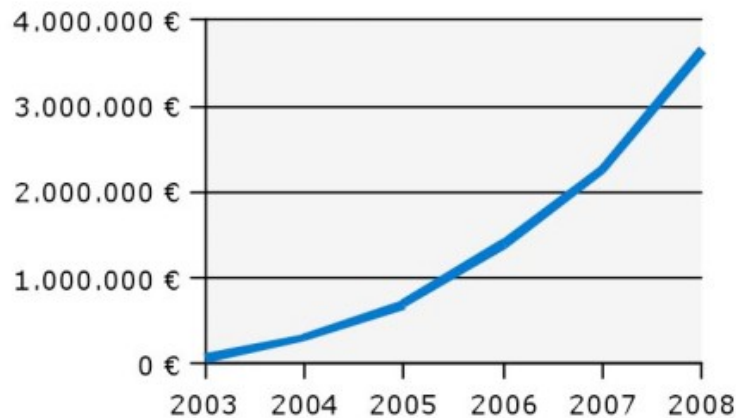


Figure 4.3e – Chiemgauer turnover. Source:
<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

The introduction of the regional currency system allowed Chiemgauer to develop important local projects financed by a sort of tax on imported goods. The result was that after some years local products became cheaper than imported goods and the region knew at the same time an increase in its turnover, a remarkable local development and a reduction on ecological impact. Figure 4.3f shows the amount of no-profit financing for every year (Geller 2009):

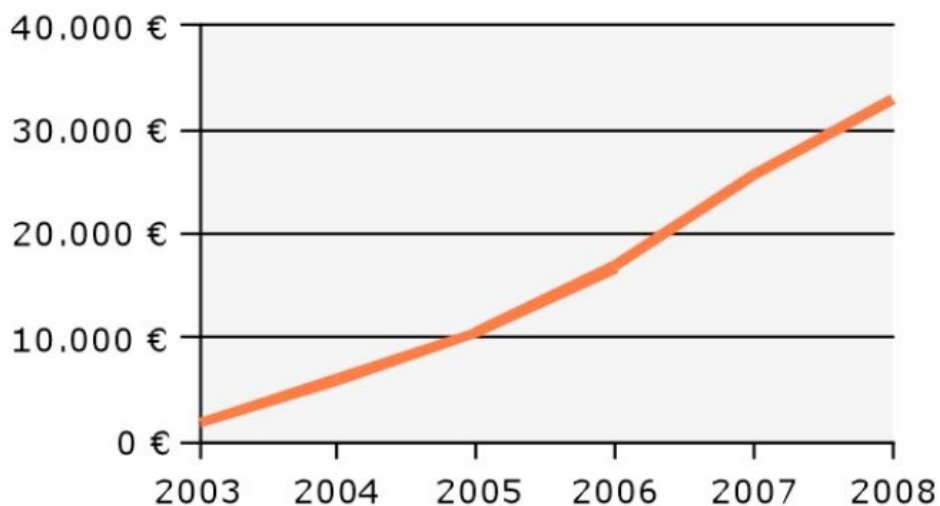


Figure 4.3f – Financing for no profit projects. Source
<https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

What makes Chiemgauer system successful is that it provides advantages to all local economic actors. Consumers accept the policies of depreciation as they realize they are doing it for local development: "You can use the chiemgauer in all sorts of shops, from the hairdresser's to the baker's. You just have to register in the scheme and go to a participating bank to change your euro into chiemgauer. It's worth it to support the community."³² Moreover consumers are more informed about services and goods coming from the region. Local firms take advantages from the boosted economy. They have to afford the cost of the exchange fees but the more they are able to produce locally the lower becomes the cost. Indeed, data shows that the average cost declined from 4% in 2003 to about 2% in 2009³³. Local authorities see their costs reduce as some local projects (which includes typical public expenditure entries like improving school structures or other public works) are financed by the system.

Some doubts have been raised over the lack of large retailers inside the system. However, this is one of the purpose of a local currency: support local small firms and chase away superstores. Martin-Cristoph Ziethe, member of the organization behind chiemgauer declared: " The aim of a regional currency is to promote the local economy, which also benefits the environment because the carbon footprint of local logistics is clearly much lower. It is far healthier economically and environmentally to have several small high street businesses rather than one megastore"³⁴

Gellery explains that the common European currency is an acceptable thing, but it needs to be complemented by a series of local currency, like Chiemgauer, spread in all Europe. His purposes for next years are to increase the Chiemgauer turnover, which at the moment counts only 0,2% of regional gdp, and to be taken as a model for new regional currencies. In Germany it is already happening: there is a network of regional currencies which took his origin in Prien (with Chiemgauer). At the moment it is possible to find 28 initiatives for local currencies spread in all Germany. In France, there is SOL, a complementary currency pretty much similar to Chiemgauer with social, ecological and solidarity purposes. In this context of the very recent crisis of Euro currency, complementary currency are becoming very attractive: it remains to be

³² <http://www.guardian.co.uk/money/2011/sep/23/local-currencies-german-chiemgauer>

³³ <https://ijccr.files.wordpress.com/2012/05/ijccrvol132009pp61-75gelleri.pdf>

³⁴ <http://www.guardian.co.uk/money/2011/sep/23/local-currencies-german-chiemgauer>

seen whether the central bank will once again shut down such innovation.

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Chapter V – Conclusions

5.1 – Criticisms to the theory of degrowth

LIBERALISM AND MARXISM

The main and basic assumption at the source of the whole idea of degrowth is that natural resources are finite and thus the human exploitation cannot grow endlessly. Except for equity principles (between Western and developing countries or between governments and governed), the entire set of reforms and the characteristics of the degrowth society reflect the attempt to deal with this matter. Despite there is a general belief and awareness on the increasing ecological footprint of mankind and on some arising ecological matters (even if there are different opinions on their significance), this assumption has been subjected to various critics and integrations.

Supporters of economic liberalism consider senseless an intervention of a policy maker (or of an international organization) for the purposes of these matters. The principle of *self-regulating market* states that in case a resource is going to run out, the market will reach rationing mechanism by itself. (Sunderlin, 2003) By one side, the price of that particular resource will start to raise, decreasing the demand for it and thus decreasing also its consumption. On the other side, new substitute products will be developed because of the market opportunity created. Market dynamics would be more powerful and effective than a centralized intervention. However, the theory looks outdated. The idea of the self-regulating market, of the *invisible hand* already knew various fail in the history. Market imperfections like the lack of perfect information do not allow policy maker to leave the market the responsibility to reach an equilibrium. Moreover, it is important to distinguish between what can be produced and which amount of production is sustainable for the equilibrium of the environment. The first one is certainly higher: this means that without falling into scarcity, human activities could already excessively exploiting the environment and breaking the equilibrium with the risk of compromising the environmental productivity of upcoming years. In other words, the potential adjustments in price could happen quite later and do not mirror the effective scarcity of that

resource.

The theory of degrowth presents some key points that could bring it back to the socialist theory. Indeed, degrowth refuses individualistic theories and remarks the importance of the social consciousness with which every individual should act. In different passages the social sphere has been claimed as predominant: economics should be on the service of society, technology should improve social life and investments should be used for social improvements. Serge Latouche refuses every attempt to categorize degrowth: despite socialism can constitute an alternative to capitalism, it is inspired by the same principles of maximization and optimization that caused the current crisis. On the other side, socialists and especially Marxists find many leaks in the theory of degrowth. Stating that capitalism needs to be replaced because resources are running out is, according to Marxists, a wrong or at least imprecise assessment. Marxists consider that it is the nature and control of production that is determinant, and not the quantity. The real limit of capitalistic production is just capital: the capitalistic self-valorization of capital is the starting point but also the point of arrival. Capital, in other words, is used for the accumulation of capital itself: social development clashes every time with the overriding goal of increasing capital value. (Kliman, 2007) Hence, the mistake of degrowth in assessing capitalism is in confusing accumulation (of capital or profits) with growth (increase in goods and GDP) or development (of productivity). The real enemy is not growth, it is instead the improper use of capital when, for instance, increase in productivity due to technological innovation is translated in an increase in production instead of reduction of working hours.

HOMO OECOMICUS VERSUS SOCIAL RESPONSIBLE INDIVIDUAL

There is a *conditio sine qua non* the implementation of a degrowth society would lead to a perfect failure. This condition is the refuse of the *homo oeconomicus* classical concept in which individuals are rational and act exclusively basing on their personal preferences and utility which can be expressed in such a way that it is always possible to make a rational choice. This theory, of course incompatible with degrowth, has already been strongly criticized. Neoclassical economists denounce the impossibility to make all rational choices because of uncertainty and

because of cognitive limits of human brain. (Clarke, 2009). Tverski (2000, cited in Becchetti, 2009) demonstrated the irrationality of individuals in financial choices and in all other choices involving risk.

The idea of socially responsible individual, which seems to be the only compatible profile with degrowth is, however, to be defined and appears hard to be achieved. If we can probably exclude that rationality and individualism are the only determinants of economic actors' behaviour, at the same time it is undeniable that the "social-caring" individual find weak confirmation in empirical terms.

Bruno Frey (2008, cited in Becchetti, 2009) explains the importance of *intrinsic motivation* (the pure pleasure of doing something) that can sometimes be compromised by *external motivation* (rewards and punishments). The term *homo sociologicus* coined by Dahrendorf (1958, cited in Becchetti, 2009) was introduced to express the importance of the social context in explaining human behaviour. Individuals are unavoidably affected by their environment and any de-contextualised model is thus incomplete. Degrowth economists probably refer to the *homo sociologicus* in the belief that if the implementation (through education) of new values succeed, external motivation and the social context will provide the individual with that social consciousness that at the moment is, in general terms, lacking. Moreover, the empowerment of individuals will probably increase the feeling of responsiveness as degrowth aims to provide individuals with a social identity.

This last explanation appears to be much more realistic than the possibility that after releasing the society from the system of growth, the new social values would spontaneously generate in people's mind. The social conscious individual is thus not an utopia, but it requires a long-term intervention at the source. (education, media, and so on. See 2.4)

CAPITALISM AND THE ROLE OF THE STATE

The strongest criticism to degrowth comes from liberal economists which argue that its implementation requires an unavoidable invasion of the private sphere. All those set of limitations (on production, consumption, commercial trade, financial trade) are incompatible

with the free-market economic model, predominant in most world economies. Indeed, imposing thresholds on production, limiting advertisement, deciding which commercial trading are acceptable and which not and preventing goods from traveling for long distances require an invasive power of the State intervention which reminds the characteristic of the *planned economy*. This point is given, in my opinion, not enough prominence by degrowth exponents. Latouche provides some enlightenment on the relation between degrowth and capitalistic economy: "Eco-compatible capitalism is conceivable in theory, but unrealistic in practice. Capitalism would require a high level of regulation to bring about the reduction of our ecological footprint. The market system, dominated by huge multinational corporations, will never set off down the virtuous path of eco-capitalism of its own accord [...] Mechanisms for countering power with power, as existed under the Keynes-Fordist regulations of the Social-Democratic era, are conceivable and desirable. But the class struggle seems to have broken down" (Latouche, 2010 cited in Foster, 2011). "A society based on economic contraction cannot exist under capitalism. But capitalism is a deceptively simple word for a long, complex history. Getting rid of the capitalists and banning wage labour, currency and private ownership of the means of production would plunge society into chaos. It would bring large-scale terrorism. We need to find another way out of development, economism (a belief in the primacy of economic causes and factors) and growth: one that does not mean forsaking the social institutions that have been annexed by the economy (currency, markets, even wages) but reframes them according to different principles" (Latouche, 2010 cited in Foster, 2011)

Thus, Latouche does not refuse capitalism itself but remarks its practical incompatibility with sustainability. Degrowth is in favour of private property protection and accepts at the same way the capitalistic mechanism of waged work. However, "degrowthists" appear to be closer to Keynesian than to liberal and capitalistic economists. The general rule is the free-market and the private property, but the corrective intervention of the State happen ex-ante (equality on means) and ex-post (equality on results) whenever the market presents some imperfections. Anyway, the idea of degrowth economic system is all in all still to be defined: it is lacking of outlining the specific role of the State.

TOWARD RATIONING?

In treating techno-abstinence Illich (1974) argued that it is not a question of renouncing to comfort and facilitation but it is instead a release from the “techno-dependence” that is stressing and distracting individuals from their real life (see 1.8). Latouche (2009) points out that the need for many products comes from distortion of capitalism like consumerism or marketing. Thus, it would be possible to obtain the same well-being producing and consuming much less. As a consequence, degrowthists believe in a sort of spontaneous limitation of consumption to a “sobriety” level. The idea of self-regulation is anyway not that convincing and many authors argue that degrowthists should admit that some restrictions would need to be imposed from the top. “In relation to consumption, it (degrowth, a/n) also often reflects a belief in the effectiveness of voluntary, bottom-up solutions. One additional belief that I have often encountered in debates with degrowth proponents is that environmental policies do not work, or will not be implemented, and that we therefore have to reach solutions outside the standard environmental policy framework. This view and judgment I cannot share. Without (standard) policies we certainly will not be able to solve the major global environmental problems. Their global and externality nature requires that we strike international agreements to create an international level playing field” (Van Der Bergh, 2010, p. 3)

Thus, considered that it is quite hard to imagine a voluntary and spontaneous auto-limitation, skepticism on how to place those restrictions is very widespread. It is very common to find in Latouche's paper statements like “ it is sure that individuals do not need ten pairs of shoes, thus limitations do not affect well-being, it is just a return to reasonableness” (Latouche, 2008, p.68). But what is exactly reasonable? How to decide the limit beyond which consumers are over-consuming? And, most of all, how can someone claim to judge on individual preferences and utility? Latouche considers the possibility to decide the threshold of the “moderate” consumption through local assemblies. Assemblies would have the power to decide what is excessive and what is not for all citizens. This solution, besides appearing absurd, goes beyond the boarder of reasonableness and ends up in pure rationing.

IS DEGROWTH AGAINST DEVELOPMENT?

Van Den Bergh (2010) arose doubts on the possibility of granting social development in a society of degrowth. The lack of capitalistic purposes of accumulation could compromise investments for innovation. The concerning of Van Den Bergh is that degrowth could not be compatible with an environmental improvement: “GDP degrowth means a blunt instrument of environmental policy which reverses the causality between policy and growth as it is normally understood. Instead of putting good policy first and then seeing whether degrowth is a consequence, the degrowth strategy is to set the aim of degrowth first and then hope that the environment will come out well” (Van Der Bergh, 2010, p.2). Degrowth could reduce production efficiency (more input for less output) and the decreasing investment could slow down technological progress of environmental caring technologies.

The mistake that Van Der Bergh and many authors seem to make is to consider degrowth as an under-development process or as an indiscriminate reduction in GDP. When the author states: “we want especially the dirty or dirtiest sectors to 'degrow' if they do not succeed in adopting sufficiently clean technologies or realizing a substitution away from dirty inputs. Simultaneously, cleaner production, such as of electricity from renewable energy, may grow, which in turn would add to GDP growth” (2010, p.3) he remarks exactly Latouche and Pallante's idea of degrowth presented in previous chapters. Indeed, Latouche argues that in the period of transition GDP may grow, because of the necessary investments to convert production system. After the transition phase, degrowthists conceived a steady state economy which do not need growth in order to boost investments. The purpose is instead not to “degrow” forever but to degrow until the ecological impact of human activities reach the equilibrium point in which Earth regeneration equals consumption.

CRITICS ON LABOUR REFORM

In chapter two I reported some guidelines on how the transition from a full-time working week (40 hours) to a 20 hours working week could happen. Andre Gorz (1985) proposed to decrease

working hours at the same rate of increasing productivity in order to not compromise production, Latouche is more inclined for a gradual but unconditioned decline (regardless to productivity, as the lack of work can be replaced by assuming unemployed). There are two main leaks in Gorz's approach: first, productivity is very difficult to define especially in numerical terms and second, productivity improvements vary from different industrial sectors and this could mean different working weeks for different jobs. Latouche's approach appears to be too optimistic. Implementing unconditioned and indiscriminate reduction would probably lead to random results. Latouche argues that if a set of good policies accompany this reform, it would turn out to be effective. But what exactly these should these policies consist in? How to distinguish a good job from a bad job and how could be claimed that through this policy bad jobs would give place to good jobs? The criteria of social utility can sometimes solve these questions but in other cases it may result ambiguous.

Latouche, Gorz and Pallante, moreover, fail to solve the biggest issue related to work reform: the cost for companies. Every employee constitute not only a variable cost related to working hours, but also fixed costs like insurance and social security and minimum wage. Despite the minimum wage would be probably reduce, it cannot be expected that it does it accordingly (at the same proportion) of working hours reduction: indeed, employees need a subsistence quote. It is quite unlikely that the increase in productivity in working hours (as working less will probably lead to an improvement in the quality and intensity of each working hour) could cover the increasing cost for firms, which therefore would need a support (in terms of public financing) from governments, especially in the transition phase. Considered this, Governments could then provide financing to those sectors which are considered more important for the purposes of social development.

5.2 – Dealing with localization

ECONOMIC LOCALIZATION

Chapter III showed the benefits of localizing production, i.e. producing as much as possible

inside local community and for local citizens. Communities are designed as resilient³⁵ bio-regions of a variable size (between 100.000 and 1 billion people) depending on the bio-characteristics of the environment and on cultural affinities. But to which extent could those resilient communities be actually independent? There is a huge amount of important resources that would still need to be imported, for instance petroleum that, of course, cannot be extracted in every bio-region. Pallante (2009) explains that, indeed, independence to petroleum need to be reached replacing it with renewable resources (solar, eolic and geothermal) and idroelectric energy. Anyway, many other important rough materials would need importation: coffee, rubber, sugar and so on. Will all these products be produced in greenhouses?

Moreover, the unquestionable economic benefits (boosting local economy, reducing cost of transports, etc..) present, in the other side of the equation, some risks. For instance, the absence of foreign competitors (like big chains of stores or hypermarkets) could compromise the efficiency of local producers which could find themselves in a non-competitive market context. The low competition could turn lead to monopolistic or oligopolistic behaviour of local producers which could then considerably raise their mark-up and thus increase prices. Communities are not designed to be closed to tradings, but strong taxation would be applied to imported products and to multinational companies that would prevent them from being competitive. However, proximity of local producers makes them easy to be controlled: the low number of intermediaries and the simplicity of the distribution chain play in favour of a transparent price making. In the Netzwerk Vorpommern case, empirical results confirmed this more optimistic view. Despite the example is not fully proper, as the cooperative was actually too weak to become a price maker, evidences of “community-caring” behaviour and transparence cannot be denied.

There are also strong political implication deriving from this economic revolution that need to be managed. For instance, how to deal with population migration? Differences between communities could lead massive migration toward the preferred fiscal system as in the foot-voting theorem. Buchanan theorized that managing the amount of public services (places in

³⁵ Resilience has to be intended as being in equilibrium with the environment and have a certain degree of autonomy (Latouche, 2008)

hospitals and schools) could “address” the dimensions (in term of population) toward a desired level, but what about the ecological impact? What happens when a resilient community (recalling that resilient means also in equilibrium with its environment) faces huge immigration? Will it be necessary to ban migration? Or to rationate production in order to discourage it?

Last, but not least, will resilient communities or, at least, local production systems find space in contexts like megalopolis? Empirical evidences show that local food production systems are much more likely to develop in country areas. Many urban space are too wide, resilient communities require “compact” cities (Latouche, 2010). For these reasons economists of degrowth like Latouche argues that the urban buildings should be constricted to a reasonably wide area. Outside that area, buildings should be banned. Economic decentralization is thus feasible in some contexts but much less in others: generally speaking it appears to be a good complementary tool to “global” production, but not something that can totally replace it.

POLITICAL PARTICIPATION

Representative democracies are the result of the principle according to which the role of politician is a professionalized role. Indeed, it requires long carrier path and experiences in lower political layers. Moreover, the ability od reaching consensus is becoming more and more important in order to allow the politician itself and its party to stay in charge as long as possible. Thus, professionalization and “personification” are typical of representative democracies in which the electors choose between ideologies and not between ideas. The elected representative are the professional which have the role to convert ideologies in policies. Under this scenery, the empowerment of “common” citizens through political participation generated perplexities because of the lack of that professionalism. Converting representative democracies into participatory democracy would decrease the effectiveness and the quality of policy making. The Proutist³⁶ economist Susmit Kumar notices that political democracy is

³⁶ Proutism is an Indian progressive socialistic economic theory. It presents many similarities with degrowth like decentralization, cooperation and refuse of individualism

“creating criminals, encourages exploitation, throwing common people into an abyss of sorrow and suffering” (Kumar, 2012, p. 267). “There are several forms of government structures and among them the democratic structure is highly appreciated. Democracy is defined as government of the people, for the people and by the people. But in fact it is the rule of the majority. Hence democracy means mobocracy because the government under a democratic structure is guided by mob psychology. The majority of society are ignorant or fools. The wise are always in a minority. Thus finally democracy is nothing but foolocracy” (Sarkar, 2002 cited in Kumar, 2012) Moreover, many opinionists claim that political participation empowers in the majority political activists which have the same motivations of political elites. In other words, the result of offering tools of direct democracy will not clean up political power from clientelism, corruption and opportunistic behaviour.

In my opinion, arising some perplexities on people's wisdom, on the capacity of thinking, on knowledges and on maturity, is more than legitimate. Phenomenons like influence of choices, intolerance of different opinions, lack of knowledge, populism, unuseful discussions and self-thinking would probably not be missing. However, there are some considerations that I consider important to make. First, Kumar's and Proutist's distrust on individual's wisdom is *a priori*. Their critics examine modern democracies, considering the inadequacy of systems in which individuals have voice. But modern democracies are representative democracies thus citizens cannot be judged according to the characteristics of those democracies, in which their political role is the mere ideological choice. Second, despite the first stages of political participation would be probably characterized by a loss of quality and efficiency in decision-making, it is likely that in subsequent times it faces slow improvements. In other words, learning by doing will provide empowered citizens with that lacking professionalization. The length of this phase could anyway make it unacceptable. This is why, I think, political participation should be implemented in a gradual way. Third, as Latouche briefly touched, I believe in the power of the fast spread of information that the predominance of science (scientization) and the use of Internet are providing. The upcoming generation will be provided with a background of information (which is leading also to the phenomenon of *overinformation*) that could ease the challenge of participatory democracy. Forth, the case of Brazil provides

important evidences that all in all refuse the hypothesis of loss in decision making quality. In Betim, public spending priorities decided through OP allowed to improve public services like paved streets, enlarge public health systems providing more places and augment the sewer system, (Nylen, 2003) 98% of Betim and BH citizens reputed the passage from from etilism to OP a good improvement in term of results. Fifth, perplexities on motivations of political activists, despite legitimate, find no confirmation in Brazilian case. Personal commitment to an ideology of democratizing democracy is absolutely necessary for the successful implementation and administration of participatory mechanisms of public administration like the OP. Standard motivations of money, power, and traditional political cultures cannot explain such a commitment, at least not in the Brazilian case. These life histories represent what is defined as “social capital” and its capacity to temper self-interested behavior with active participation on behalf of the public interest.

The success of participatory democracy is strictly connected to the social context: different countries can generate different results from the same policy. What is important is to avoid the so-called “guided participation” in which decision are strongly influenced by one or few individuals (which could also be in “good faith”) that are recognised as more carismatic and influent and which could become opinion-leaders. This leadership is in someway acceptable, but its role has to be minimized. The presence of a “guide” is probably acceptable in the transition phase but its role should lose importance year by year while citizens acquire more empowerment.

COMMUNITY CURRENCIES

The existence of a local currency requires that the national (or international) currency keeps on existing. National currency constitutes an essential role of intermediation for currency exchanges and would prevent instability of complementary currencies. Thus, the challenge of complementary currency systems is to make the community currency the most important (or even unique) method of exchange inside the community and to limit the use of national currency for intercommunity exchanges. At this purpose, there are two main sources of

criticisms that arise: the first one is about the popularity of the complementary currency, the second concerns with the inefficiency of having many local currencies.

As explained in chapter IV, most of community currency are characterized by *demurrage* (fast depreciation of currency) that, in fact, compromise or at least strongly discourage savings. This could result quite off-putting: consumers may consider the introduction of community currency not so convenient. Since the value of money is given by the willingness of economic actors to accept it, the “popularity” of the currency is crucial, especially in a system in which banks are not powerful international entities but decentralized local banks which thus have no influence in currency policy. In other words, the unpopularity of the community currency may cause its disuse, in favour of the national currency which, as explained, cannot be completely eliminated. However, the other side of the coin is that consumers have to choose between the use of two currencies: one depreciates slowly (let's say Euro), the other one depreciates much faster (let's say Chiemgauer). Consumers will start saving their euros and using Chiemgauer to purchase their goods: thus the community currency would chase off the national currency. Which of the two phenomenons would prevail is ambiguous. The empirical evidence of the case study, however, shows that Chiemgauer is expanding its turnover and that citizens positively reacted to its introduction. Moreover, as Ekins (1986) explains, the system of dual pricing could stand out the contribute for local economy of each purchase, as “ each good or service could eventually come to have two components in its price: the green dollar component, representing the source or added value which had come from within the community, and the national currency component representing that proportion of the product which had had to be imported from outside” (Ekins, 1986, p.202)

The second criticisms highlights the efficiency of having a single currency in terms of price formation and market exchanges. The facilitation of having a common currency, as it happened in Europe, is indeed undeniable. However, focusing too much on efficiency appears to cause instability: the World Bank identified 97 banking crashes and 178 monetary crisis in the last 25 years. (Hallsmith, 2011) As Hallsmith explains, sustainability of any kind of network (environmental, economical, energetic, and so on) is the result of the equilibrium between two properties: efficiency (capacity of generating flows) and resilience (capacity of adaptation). “It

turns out that both efficiency and resilience depend in turn on two structural variables of a complex flow network: diversity and interconnectivity. Increasing efficiencies typically involve streamlining the process, i.e.: reducing diversity and interconnectivity. In the opposite direction, higher diversity and interconnectivity tend to increase resilience" (Hallsmith, 2011, p.210) Thus, the resulting dimension of a currency region needs to constitute an equilibrium within those two properties, reaching what Hallsmith calls the *window of vitality*, the point in which the network reaches sustainability. While the current system seems to give too much prominence to efficiency, on the other side economists of degrowth seem to direct too much efforts on resilience.

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