

# Making sense of the global crisis

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## **Introduction**

*As this article goes to press, we are in the midst of a breakdown on a par with the Great Depression. However, breakdowns lead to breakthroughs. An urgently needed Green revolution becomes a possibility. It will present both huge challenges and extraordinary opportunities and the possibility of a better way of life. People involved in HR Strategy, will play a major part. This article aims to provide a radical strategic briefing.*

## **The situation we are in.**

For many of us in developed countries, life is full of possibilities; things had never been better – or so it seemed. Unprecedented growth and prosperity was made possible by astonishing technological innovation and abundant supplies of cheap oil.

Now, the world faces the biggest crisis in recent history – climate change, possibly abrupt and irreversible, that could destroy human life as we know it. At the same time we are confronted with peak oil, growing shortages and rising prices. We face an unfolding breakdown in the financial system, recession and rising unemployment. Maybe, continuous economic growth is unsustainable, is destroying the biosphere on which all life depends and we need a Green New Deal and a steady-state economy (New Scientist).

The global economy and our lifestyles will be transformed. But the crisis could be a blessing, an opportunity to create a more sustainable, fairer and happier world.

**Climate change.** The UK government's Stern Review set out devastating consequences and warned that the global cost of climate change to business and governments could reach 20% of world GDP if nothing is done. Greenhouse gas emissions are projected to almost double by 2030. With no policies to curb pollution, the most likely increase in temperatures is 4C. Sea levels could rise 0.18m to 0.59m by 2100. Heat waves and hurricane strength will increase. Hundreds of millions will suffer water shortages; up to 30% of species risk extinction and food production will be hit (IPCC).

The main sources of UK emissions are Energy industries (36.9%), Transport (26%), other industries (17.7%) and Residential (15%). Rainforest destruction is the largest single source of carbon emissions after energy, contributing up to 10 times as much as aviation. Methane emissions, mainly coming from cattle and refuse dumps, and emissions from high-flying aircraft, especially damaging, and ships are rising. Wealthy people and countries pollute most; poor countries and people are worst affected. People in UK and EU account for 12.5 tonnes (average) greenhouse gases per capita per year and rising; US and Canada some 20; China 4; India 2 and sub Saharan Africa less than 1 ton. (Goodall, C, 2007). UK has exported most of its manufacturing with all the associated pollution problems, to poorer, developing countries less able to operate sustainably. Otherwise our emissions would be much higher. 25 percent of China's emissions are produced making goods for the West. USA, with 5 percent of the world population, emits 25 percent of world greenhouse gases, their vehicles 6 percent of the total.

**Peak Oil.** Most experts predict that oil supplies have peaked or will do so within a few years. The Association for the Study of Peak Oil (ASPO) says "regular" oil peaked in 2005 and oil and gas combined will peak in 2015. As the best reserves are exhausted it will be harder, costlier and more polluting to extract. Three years ago the price was \$55 per barrel. Recently it rose to \$147. Despite the recent drop, oil expert Matt Simmons predicts \$550 per barrel (Fortune). Since oil is embedded in almost everything we consume, especially food, prices will rise inexorably. The same is happening with gas, affecting power and heating. The least well off and poorer parts of the world will suffer most.

However, it's much **more complex** than Peak Oil and climate change. Two other big issues are:

- a) The destructive effect of continuing rapid economic growth on the earth
- b) Poverty and Violence

Ecological harm, poverty and violence are inseparably linked.

***We are consuming the planet's resources at a rapidly growing rate that is unsustainable.*** An economic system based upon unfettered economic growth, consumerism and free trade is degrading the soil, increasing pollution, causing growing shortages of, food, agricultural land and water and destroying other species. We are the most destructive creatures on earth. Rapid development involving construction, demolition and redevelopment produces vast amounts of CO<sub>2</sub>. Human beings use 400 years worth of ancient solar energy in the form of fossil fuels every year. Putting it bluntly, it's greed; taking more than our fair share. And it's not making us any happier. London's "footprint" is huge: London requires 125 times its surface area to provide its needs. If everyone consumed like Londoners, we would need three planets, five at the Los Angeles rate of consumption! Yet most countries aspire to this unsustainable "Western" way of life. UK's food and farming footprint is up to six times the food growing area of the UK (Stockholm Environmental Institute). Meanwhile population is expected to rise from 6.5bn to 9bn by 2050. As world population grows, shortages of all resources and conflicts are inevitable.

We are exhausting the mineral and natural resources of the planet. Not only are we running out of oil and natural gas and, in the long term, coal and uranium. We are running out of most materials used in modern manufacturing. In a world economy based on fossil fuel and non-renewable resources, there has to be a complete change in the way we live.

The system of global sourcing and industrialising food production, apart from producing huge amounts of CO<sub>2</sub> through food miles, damages the provision of good, fresh food on which human life and health depends. It is fuelling the destruction of forests, a process which is a major source of carbon emissions as well destroying one of the ways carbon is absorbed. We are polluting the seas and destroying the fish. Here in UK we are steadily destroying our farming and local food production and our food security – though this may change as food prices escalate. It is a crazy system when, for instance, about the same amount of milk is exported as we import. Thirty-seven percent of UK's food is now imported compared with 27% in 1995. Our economy is now largely dependent on financial and related services and retail.

Sourcing for "lowest cost" externalises and does not count social, health and environmental costs. It creates insecurity, destroys communities, creates "clone towns" and affects wellbeing. Low prices are an illusion when we, the taxpayers, pay for "cleaning up" and most people's wellbeing suffers.

Human beings are part of an intricate, interconnected relationship between Planet Earth and all living things upon it. If we want a sustainable future, we need to treasure, not destroy the ecological diversity of which we are a part.

Technology and science will solve some of our problems, but not all. We need a change of thinking.

***Poverty and violence.*** The majority of human beings are relatively or very poor: millions face starvation; many are afflicted with disease that could easily be prevented or cured. Millions of children die unnecessarily. If they survive, their lives are stunted by lack of education and opportunity. Many live in fear and insecurity generated by violence. Despite all those campaigns and summits, with the exception of South East Asia, we have largely failed to raise people out of poverty. In many areas the situation is getting worse.

There can be no peace or security without global economic justice and respect for difference. The big powers are in denial about their violence, militarism and huge military economies. They created nuclear weapons, leading to proliferation and the threat of nuclear annihilation. Hypocritical, colonialist foreign policies create hostility and contribute to growing international "terrorism." Other countries clearly see the contradictions between our postures and actions.

***Growth isn't working*** as a means of reducing poverty. Rapid growth is far too slow in reducing poverty. Between 1990 and 2001, for every \$100 of growth in the World's per person income, only \$0.60 contributed to reducing poverty below the \$1-a-day level. Rapid economic growth is

inefficient and far too slow in reducing poverty. Between 1990 and 2001, for every \$100 of growth in the World's per person income, only \$0.60 contributed to reducing poverty below the \$1-a-day level ((New Economics Foundation report, January, 2006). If global GDP per capita continued to grow at around 2% pa, this would take more than a century. Worse, between 1990 and 2001, the incomes of those below \$1 a day grew only half as fast as global GDP. If this trend were also to continue, their incomes would rise by only 1% per year, and the process would take more than 200 years, and require the global economy to expand to more than 60 times its current size even without population growth (Woodward, D), 2008.).

In the UK, growth benefits the richest 10 percent of the population 10 times more than the poorest 10 percent. There is widespread concern about the growing pay gap. The ratio between bosses' rewards and employees' pay has risen to 98:1 from 39:1 ten years ago (Guardian annual survey of executive pay). The wealth of the world's 475 billionaires is now more than the combined income of the bottom half of humanity (The US Institute for Policy Studies (IPS)).

### ***The underlying system.***

***The root of the crisis is an unsustainable global economic system***, based on the belief that continuous unfettered economic growth, measured by GDP, will bring prosperity to everyone. A key part of the system is debt. Debt and the need to repay it fuels growth and can lead to calamity as we are seeing.

This thinking dominates the policies of the World Trade Organisation, the International Monetary Fund and the World Bank which have imposed them on the world. Yet it flies in the face of what actually works. These organisations are dominated by the interests of big business and 8 great powers, particularly USA. The USA blocks any attempts to reform the system which threaten their business and political interests.

The policies include: ***free*** as opposed to ***fair trade***; development loans; encouragement of cash crops for export, in order to trade out of poverty. Unfair policies have allowed unfettered access to poor countries markets, whilst setting up obstacles to their exports. Western countries dump their subsidised exports and large companies to set up in their countries. This undermines local food production and businesses. Loans inevitably lead to huge and growing indebtedness which most poor countries cannot repay. "Structural adjustment programmes," imposed as a condition of aid, have led to the privatisation of public services such as education, health and water. Almost invariably the results have been detrimental.

In the Seventies, the gap between rich and poor countries was closing. Now it is rapidly growing. Instead of reducing poverty effectively, rapid economic development is creating a growing elite of super rich people vastly richer and raising the incomes of middle classes. Certainly some countries have been lifted out of poverty, but in most cases, like our own, ***not through free trade***. We enjoyed protection whilst developing our economies.

***Poorer countries say*** it is time for us to give something back. Instead of exploiting them and imposing our way, the "West" needs to remove obstacles and help poor countries find their own solutions. Seen by other nations to have created the problems, we need to set an example and help them develop their own ways out of poverty and into sustainability and security.

There seems to be little connection between high levels of consumption or GDP, and happiness. According to studies conducted by the New Economic Foundation, whilst consumption in Europe has increased enormously, the level of life satisfaction has remained level. Happier countries tend to have more equal income distribution. Like USA, UK ranks low amongst countries with advanced economies on many measures of wellbeing and happiness.

### ***What we need to do.***

***Reversing climate change.*** We need to rapidly cut rising global CO2 emissions to a sustainable world average of 3 tonnes per person. EU and UK, by 2050, need to get down from 12.5 tonnes to 3 tonnes, an 80 percent reduction on 1990 levels. 2 tonnes, a 90% reduction, may be safer.

The Government's Climate Change Bill, aiming to reduce emissions by 80 percent based on 1990 levels, increased to under considerable public pressure, is a model for other nations. However, given current plans and this objective is unlikely to be met.

Government is overly influenced by media and vested interests. There is a fundamental split in government thinking – on the one hand, many good initiatives; on the other, *insistence on unsustainable economic growth as measured by GDP*. For example, halting airport growth over the next five years would prevent the equivalent of 16.3 million tonnes of annual emissions (Kingsnorth, P). The case for coal and nuclear power is riddled with flaws. Government appears addicted to “Mega fixes”, centralised solutions.

***Distributed power generation.*** The national grid loses a large amount of energy. Transmission and distribution losses in the UK are about 7.7%. Centralised power stations lose more than 60 per cent of their energy through heat waste and transmission losses. Making every building a generator with facilities for feeding combined heat and power into the grid or local community, could make new nuclear or coal powered generation unnecessary. EU adviser, Jeremy Rifkin calls for a 'third industrial revolution', matching the rise of the internet with a new energy regime and the development of a 'smart grid'.

Momentum for change is gathering. Most of the necessary technologies already exist, though they need to be developed. Innovations and fresh initiatives are reported every day. Most businesses are responding and new, often small, enterprises are contributing new technologies. Many countries, states, cities and towns are taking bold initiatives. The Renewables market is growing rapidly as a result of generous government subsidies in Japan and California; generous feed in tariffs for solar PV, wind or hydro (Germany and Spain) and low interest loans for older properties to reach new-build energy standards (Germany).

A model for sustainable businesses is Interface, a worldwide company producing floor coverings, fabrics for airliner seats, speciality chemicals and interior architectural products. Interface's principle is “*do well by doing good,*” says Ray Anderson, Chairman and founder. Interface aims for a “zero footprint” and is more than half way there. It has helped create a host of sustainable companies in its supply chain (Interface's website). The number companies like this, is growing, often from small beginnings.

Individuals and businesses can make a difference but it is not enough.

*"Business can't operate in a policy vacuum - we need strong leadership from governments."*

Willie Walsh, BA CEO, Climate Policy Recommendations to G8 Leaders.

All National Governments need to confront citizens with the truth, and provide bold national plans, comparable to the US New Deal of the Thirties and the UK War Effort of WW2. This will require constant public pressure to hold Governments to account.

### ***We need to change the global economic system.***

Solutions to peak oil, climate change and poverty, require a global economic system and global institutions that focus on priorities - meeting human needs: protecting the planet; tackling poverty; giving everyone the chance to enjoy meaningful work and healthy and fulfilling lives. These aspirations are expressed in the UN Millennium Goals. There is a growing consensus that to achieve them, ***fair***, not ***free, trade*** is needed, giving each country, with support from richer ones, the freedom to develop its own unique way.

The issues are global. Without changes in the system, it is impossible for nations and businesses to tackle global issues. Effective action to deal with the crisis requires the cooperation of every country, especially the large powers. Existing global institutions, dominated by big corporate interests, obstruct what governments and businesses can do. There are limits to what companies can do within the current system without damaging their competitive position. Public companies are at the mercy of the stock market and the threat of takeover if considered not to be

“performing”. A key role for government is to join with other countries in pressing for radical system change and reform of global institutions.

### ***Key proposals***

The crisis demands radical government action on the scale of what was done by FDR in the Great Depression or the UK government at the beginning of WW2. “*The West should have a war on global warming rather than a war on terror*” (Prof Stephen Hawking interviewed on ITV News 17-1-2007). In a short article it is not possible to give details but here are short summaries of some key proposals for system change. You can follow up the references to get details.

***A Green New Deal.*** The New Green Deal Group proposals, published by the New Economics Foundation (NEF) are full of exciting, radical well thought out ideas. UNEP is launching a similar Green Economy Initiative. It calls for comprehensive, joined- up action by politicians. It proposes massive investment in renewable energy and wider environmental transformation in the UK; leading to the creation of thousands of new green collar jobs; reining in reckless aspects of the finance sector; making low-cost capital available to fund the UK’s green economic shift; building a new alliance between environmentalists, industry, agriculture, and unions to put the interests of people and “the real economy” first. Further proposals include: establishing an Oil Legacy Fund (like Norway); ensuring more realistic fossil fuel prices to include cost to the environment; minimising corporate tax evasion; re-regulating the domestic financial system.

It urges UK Government to take action at the international level to help build the orderly, well-regulated and supportive policy and financial environment required to restore economic stability and nurture environmental sustainability, including: Allowing all nations far greater autonomy over domestic monetary policy (interest rates and money supply) and fiscal policy (government spending and taxation); Setting a formal international target for atmospheric greenhouse gas concentrations that keeps future temperature rises below 2°C; Giving poorer countries the opportunity to escape poverty, without fuelling global warming, and helping to finance massive investment in climate-change adaptation and renewable energy.

***Contraction and Convergence.*** One way of bringing about the reduction is by “contraction” and “convergence” (C&C) is put forward by Aubrey Meyer and the Global Commons Institute <http://www.gci.org.uk/contconv/cc.html>. First, to avoid too abrupt and painful a shift, emission rights would be allocated based on the current pattern of world output so that rich countries would have higher entitlements than poorer ones. Then, through a process of convergence, emission rights would move progressively towards an equal distribution on a per capita basis. How to allocate these rights within a country would be left to each nation to determine.

Another method is “cap & share” (C&S). Under this system, emission entitlements are not decided by national governments. Instead each person would receive an annual entitlement which they could use as they saw fit. Trading would be part of the scheme. Individuals who wanted to consume more would have to buy from individuals willing to sell. Energy companies would have to buy emission entitlements to function. This would lead to a massive redistribution of wealth from richer to poorer individuals and countries. Such a redistribution would enable make a big contribution to bringing about global economic and social justice and eradicating poverty.

***Reform of global institutions.*** As I have said earlier, present global institutions such as the WTO, World Bank and International Monetary Fund, to a high degree, are unrepresentative and dominated by the interests of US big business and other rich countries, including G8 members US, UK, Canada, Russia, France, Germany, Italy and Japan. Attempts to reform these institutions, make them properly representative of all nations, change their underlying rigid free market, free trade ideologies and make their policies fairer are strongly resisted. EU policies are unfair to poor countries too. Similarly, five permanent members, US, UK, France, Russia, China, plus ten non-permanent members, constitute the UN Security Council.

George Monbiot (*The Age of Consent*) puts forward comprehensive proposals for the necessary reforms and how to bring them about. These include a World Parliament, a Fair Trade Organisation to replace the WTO to enable poor nations to catch up with rich ones, regulating the largest corporations, a new international security system to replace the Security Council, an

updated version of the proposed International Clearing Union to stabilise capital flight, currency fluctuations, indebtedness and trade balances. Similar proposals are put forward by the New Economics Foundation, *From Old Economics to New Economics: Radical Reform for a Sustainable Future* (NEF). Many of these proposals are updated versions of John Maynard Keynes's proposals, blocked by US negotiators at the Bretton Woods post war conference in 1945.

### ***What you can do - Be the change***

The big challenge for government will be to ease a major transformation and minimise hardship. The same applies to companies. There will be a continuing need for re-skilling and may be a big need for outplacement which, done well, will enhance morale and reputation. As I have argued, part of company strategy will be to use its power, every opportunity, to influence government.

Make the objective of your HR strategy to develop widespread awareness of the challenges and opportunities and develop the essential attitudes and skills needed to respond.

***A spirit of seeing possibilities and opportunities*** and taking personal responsibility is needed, rather than focussing on fear and gloom which lead to denial and resistance. Entrepreneurial agility, creativity and innovation, as well as pragmatism, will be required. Finding the best ways forward, requires keeping continually open, questioning and challenging minds, skills of dialogue, listening to and respecting contrary views. Facilitating transformation requires widespread communication at every level, creating awareness and understanding and coalitions for change. Influencing requires building relationships. Be the change. Start with your own team, which must be a major, positive force for change. Practice ways in which you can facilitate strategic change and leadership, outlined in the previous article.

Here are simple principles for sustainability that apply equally to individuals, communities to, businesses, nations and the world:

#### ***Principles for sustainability:***

**Reduce**  
**Reuse**  
**Recycle**

We need to transform the way we live and work. Properly managed, it needn't result in fewer jobs or recession. It could be a work and jobs renaissance. It could be a far more rewarding life. It's an experiment we have to embark on. It means consuming less "stuff"; reducing our footprint; minimising use of non-renewable and non-biodegradable resources; avoiding toxic substances and products that cannot be recycled and produce non-biodegradable waste. It means doing what we can ***within the system*** and spending part of our time ***being activists, working to change it***. Of course, we have to survive, earn and live a life but it is a matter of survival that all of us do what we can. It also means being always informed, open minded and always sceptical, following the precautionary principle and doing a risk assessment. Otherwise, with the best of intentions, we may do the worst possible harm.

Vast numbers of people and businesses have to demand action and system change. If we want to avert disaster, and enjoy a better way of life, we have to change the system and keep government under pressure. Someone said: "*There are two great powers; USA and people power*".

#### ***References and resources***

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A good source of information is the Ecologist <http://www.theecologist.org/>

Further resources available in *New Writings* [www.brucenixon.com](http://www.brucenixon.com) and *Living system - making sense of sustainability*, 2006, special reader's price Management Books 2000, 01285-771441/2.

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