



The role of markets in the new economy

What are markets and when do they work best for us? Many in public life believe and argue that the distribution of goods and services is done most efficiently through free markets. Why do they say this? And is it an adequate argument for applying market processes in public services such as the NHS? This booklet explores these questions. It looks at the alternatives to markets and for-profit provision and suggests how market and non-market provision might be organised in the new economy.

This is the fifth booklet in QPSW's New Economy series. The series builds on our *Principles for a new economy* document, and aims to help Friends and others explore alternatives to our current economic system.

This document is not for passive consumption! Full of questions to aid reflection and discussion, it asks you to imagine for yourself how a different type of economic system might look. We hope you will contemplate these questions on your own or explore them in reading groups within your meeting. For more information about reading groups, or to sign up to the programme visit www.quaker.org.uk/new-economy.

We'd also like to hear what you think and invite you to share your feedback, questions and reflections with us directly or by posting them on the Quakernomics blog at www.quakerweb.org.uk/blog.



The Quaker Peace & Social Witness (QPSW) new economy project responds to minutes made by Britain Yearly Meeting between 2011 and 2015. These present a strong critique of our current economic system and commit Friends to working towards building a different type of economic system - “an economic system in which Quaker testimony can flourish”. Throughout these booklets we refer to this as the ‘new economy’.

QPSW believes that while Friends are, for the most part, in unity about what’s wrong with the current system, we are still corporately discerning both what a better economic system might look like and how we might get there. The new economy project exists to support that discernment.

The new economy series is intended to stimulate debate and reflection. The ideas here do not necessarily reflect the policy or positions of Quaker Peace & Social Witness or Britain Yearly Meeting. Find out more at www.quaker.org.uk/neweconomy.

Introduction

Markets, and provisioning, are a Quaker concern for a number of reasons. ‘Provisioning’ is a term used to describe the system we use in our society to meet people’s needs. How we produce, allocate and distribute goods has a huge effect on equality and wellbeing. Homelessness, fuel poverty and the very existence of food banks can all be seen as evidence of failures in our current provisioning system.

When a good is provided by ‘the market’, that means that it is produced, distributed and sold by enterprises or sellers that compete with each other for sales. The incentive to do this is profit, in the case of private providers. Not-for-profit organisations can also compete in markets, and are often motivated by social objectives.

This is often contrasted with state provision, where governments or appointed public institutions organise production and distribution. For example, local councils are responsible for bin collection. In this booklet, we’ll examine what balance should be struck between market and public sector provision. We’ll also ask what forms of provisioning exist beyond this private/public dichotomy. How could not-for-profit organisations, and other organised communities, also be involved in provisioning?

To explore ‘provisioning’, we might begin by asking what goods and services we need. Most people agree on what’s needed for survival – food, water, shelter, warmth, healthcare and so on. Beyond that, what contributes to our quality of life is more up for question. Advertisers

would have us believe that we need material wealth, an expensive car, a large house. Quakers, like many others, may instead place importance on less tangible spiritual, social and cultural goods such as the opportunities to learn and participate in community life.

“The philosophical debate over what constitutes the good life has been superseded by the hegemonic idea of progress, usually considered in a limited and primarily material sense.”

Molly Scott Cato, Bioregionalism

Many Friends aspire to live in a society that is much more equal and exists in harmony with the natural world. We understand our individual wellbeing to be bound up with the wellbeing of other people and the planet, an outlook that pervades the *Principles for a new economy*. Perhaps a good life is also one in which we can be challenged, have a sense of our own agency, where we can feel that our actions and our lives have meaning. While all this has implications for resource use, it also emphasises the value of things that money can't buy. We must bear these non-material things in mind when we consider market and non-market provisioning. How can we use and share our limited resources effectively and fairly? But also how can the way we use resources create the conditions that lead to more intangible things like peace and community?

Our current system

Like most countries, the UK has a 'mixed economy'. This means that goods and services are produced and distributed using a combination of market and non-market provision. Mixed economies vary greatly depending on the balance of market and non-market provision and the extent of government intervention in markets.

At the moment, many of the decisions about resource allocation in the UK are left to the markets. Prices and how much money we have determine what kind of house we can live in, what clothes we can wear and even whether we have access to food, electricity and a phone. The theory goes that markets allocate most resources efficiently; meanwhile wealth distribution through taxation and our benefits system means (again, in theory) that everyone has money to buy what they need.

The state monitors markets and sets laws that determine how they can



Thomas Jefferson Building, Library of Congress, Washington, D.C. Wikimedia commons, CC BY-SA 3.0.



'Urban Light', by Chris Burden. Street lighting is an example of a public good that the market will not usually provide on its own (Photo: Hcallas, CC BY-SA 3.0).

operate. For example, although food is provided by the market, we still expect governments to make sure there aren't dangerous shortages and to regulate the industry to stop horsemeat turning up in burgers!

What makes this such a live issue is that the 'mix' of the UK economy's provisioning has changed dramatically across the last century – and continues to shift. The last 40 years have seen regulation loosened and altered to give companies freer rein. Funding for the public sector has been reduced in relation to our population. This is perhaps most visible in the closure of services like libraries and new charges for things that were previously free, such as dental care and higher education. Many services that were publicly owned, like the post office, Thames Water Authority, East Coast train operating company or British Gas,

have been sold off or franchised in a process of 'privatisation'.

The public sector and limits to markets

The UK's government does still provide many goods and services, from primary schools to police officers. Compared to some countries, we have well-funded and organised public services.

In some areas, like schools and healthcare, markets also exist alongside public provision.

Then there are the things like street lighting, which are what's called a 'public good' – something that the market usually will not provide on its own. This is because it's a bad area for profit making, as it's hard to control who benefits from lighting on a public street and to charge people accordingly. So an agent of

a community, e.g. local government, has to step in to organise production.

This doesn't mean that the government has to produce the street lighting itself. It can pay a private company to do so. This 'outsourcing' is happening more and more in the UK. Prison guards, security services, supply teachers and NHS services are all being regularly provided by private companies and for-profit agencies, under contracts agreed by government agencies and funded from taxes.

There are some areas where markets are not allowed to operate. For example, we no longer have a legal slave trade. This is based on society's values – it is generally agreed that buying and selling humans is dehumanising, demeaning and wrong. This perhaps implies that commodifying certain things (like human beings) can have a damaging impact on those things (or people) and how we view them.

Market ideology

Much of the shift towards greater 'marketisation' has been justified by arguments for the efficiency of markets. Markets are said to encourage enterprise and wealth creation, which 'trickles down' and benefits everyone. The faith in markets is sometimes called 'market triumphalism' or 'neoliberalism'. In the UK, we have seen market values

pervade many areas of public life and public services, even those that aren't outsourced. As such, we risk becoming a 'market society', where more and more things are up for sale and market values increasingly influence our social relations and ways of thinking.

We have outlined how the mix of the UK's economy has shifted over the last 40 years and the areas of life and provisioning where markets are now involved. So where should the limits of markets be drawn? How and where should we intervene and regulate markets to help them function fairly and efficiently? And how can we nurture positive nonmarket values and forms of provisioning?

Principles for a new economy recognises the uses of markets, but calls for them to be controlled with a range of interventions and regulations:

"Market mechanisms can effectively organise production and distribution of many commodities, although the limits of these are recognised. Prices reflect all social costs. In the new economy, the democratic political system controls the economic system, rather than the other way round. Interventions to achieve fair allocation of goods and service include regulation (e.g. of the banks), rationing (e.g. of the health service by need) and price setting (e.g. a truly living wage)."

The principles go on to propose that areas of public life should be kept free from market values:

“Some public services are not considered suitable opportunities for profit-making. The gift economy, based on giving without expectation of exchange, is celebrated and promoted as a radical alternative to the market, and contributing to community.”

We’ll unpick the detail of how these principles would work in practice and how we can transition towards an economy where markets and corporations hold less sway.

Markets as a tool

When markets work well, they can put large amounts of information to use to self-organise production and distribution.

Consider the ‘command economy’, operated in Soviet Russia. In the early 1930s, planners did away with markets and planned the production of everything. It was a fantastic ambition. They had no computers. They used input and output tables and worked to make all the quantities match up. Today with computers we could do it much better, but it would still be a huge challenge to process changing information about every individual’s wants and needs and to organise corresponding

production. Few would advocate a complete command economy where allocation decisions are made in this way. Command economies illustrate just how much information has to be processed to organise production. Markets can be a useful tools for doing this in a way that responds quickly to changing supply and demand.

Here’s an example:

“I start selling cakes. Customers compare my cakes with Tesco’s usual fare. My cakes are cheaper and fresher, so they sell fast and I run out in the first few hours. This tells me that there is high demand, so for day two, I bake twice the amount and raise my prices. Fewer people buy the cakes on day two because they’re more expensive, but I manage to sell them all by the end of the day. In this way, supply (the amount of cakes I have available) and demand (the amount of cakes people want at the price I’m offering) are balanced. But on day three, a new cake vendor appears. They’ve seen how popular my cakes are and want in on the action. Their cakes have fancy icing, so they sell lots. As a result, I sell fewer cakes on day three. On day four, I lower my prices and manage to sell all my cakes again. I make plans to improve my icing on day five...”

Here, supply and demand are continually altered by buyers and sellers acting in their own interest. Prices are driven down and the

products (cakes) are improved as sellers strive to compete. Therefore, buyers benefit as well as sellers.

The idea that individual buyers and sellers pursuing their self-interest results in sensible allocation and ‘spontaneous order’ that benefits society as a whole was made famous by the 18th-century philosopher Adam Smith.

The bad news is that while the market may do fairly well at matching up the demand and supply for things like cakes, when it comes to the provision of many other goods and services markets are flawed in important ways. They can also have corrosive effects on social relationships. Even Adam Smith warned that for the ‘invisible hand’ to work, markets needed to operate in a context of fair competition and be kept in check by the moral force of wider society. Now we’ll turn to the limitations of markets, and how we could enact the ‘moral force’ to address them.

Basic needs

First of all, even functional markets won’t necessarily provide for everyone in society. ‘Efficiency’ doesn’t guarantee that everyone gets access to healthcare, education, food or adequate wages. What about all the people, in the example above, who want cake but can’t afford it at any price? The argument is only that, given the money each has, they’ll get the best

deal possible, which could be no deal at all.

“The distribution of income generated by free markets has no ethical claim to being fair”.

David Begg, *Economics* (textbook)

A commitment to equality and sustainability underpins the new economy project. Therefore, we suggest that there should be a basic level of provision that should not depend on what people can afford.

Friends may want to discuss exactly what a ‘basic level’ means – today and also in an ideal economy. Let’s assume that public goods – transport, infrastructure, street lighting and so forth – are taken care of. What then is needed to uphold human dignity and benefit society?



The market can work well to organise the production of goods such as cakes. (Photo: Bengt Olof Åradsson).

In a new economy we propose that secure housing, healthcare, food, water, energy, good education, meaningful work, care, justice and democratic participation should be available for all. Perhaps childcare, higher education, access to books, art and history (galleries and museums) and green space (parks, nature reserves) should be made accessible to everyone. These public spaces would build social capital; any goods which involve participation, like meaningful work, nurtures community¹.

At the moment, some people have access to some of the goods and services mentioned above. For everyone to have all of them would cost a considerable amount. But if we believe that everyone should be able to access them, how can we make that happen?

When it comes to goods like jobs, housing and food, where markets exist, there are a number of options.

Intervening in the labour market

Firstly, we could allow markets to organise provision, but make sure that everyone in society has money to purchase what they need. Part of this could be achieved by intervening in the labour market.

The labour market is where employers look for people to hire and workers 'sell' themselves to compete for jobs or attempt to

What do you think are the basics we should provide in our society? What basic rights to social goods should be protected? Do you think they should be available for all residents, including prisoners and those without citizenship in the UK?

create work for themselves. Labour markets are notoriously imperfect and segmented. Wide earning differentials are frequently the result of custom and convention and the uncontrolled exercise of power (e.g. bankers' bonuses do not seem to be determined by supply and demand, or related in any clear way to productivity). At the same time, many UK households in poverty have at least one adult in full time work². Therefore, interventions in this market, such as raising the minimum wage to Living Wage level (see booklet 2) and banning zero hour contracts, would put more money into the pockets of millions of people in our society, and they would then be able to purchase the goods they need

Redistribution of wealth

This is another way to help everyone buy what they need on the market. Put simply, redistribution means taxing from the rich and giving to the poor. Tax could happen in various ways, including through a land value tax (see booklet 6). It could be

distributed through benefits (as it is today) or through a universal basic income paid to all (see booklet 2). Benefit payments not only provide a much needed safety net for those unable to work, they can also act as a corrective to the distortions of the labour and housing markets.

But how much money would everyone need in order to meet their own needs on the market? The Joseph Rowntree Foundation have devised a 'Minimum Income Standard' based on what the public think people need to achieve a socially acceptable living standard today³. Current benefits level are well below this level. In 2015, an out-of-work single person was entitled to only 40 per cent of the Minimum Income Standard⁴. This standard is a useful benchmark, but in the new economy we may want to aim higher. To provide all the goods mentioned above would require even higher personal budgets.

The public realm

This is where public services comes in. Where there is common need, then public provision can be a very cost effective way of providing something for everyone in society. The NHS, for example, is far more cost-effective than if everyone had to pay for medical care individually⁵. Economies of scale (like 'bulk buying') drive its costs down.

Public service provision is also essential where the market won't



A British unemployment insurance stamp from 1912. In 1911 a compulsory national scheme of insurance against unemployment was introduced.

provide something. This is the case with public goods, like street lighting and waste removal. Nearly everyone agrees these need to be provided publicly but opinions differ on how (and how much) these should be funded and whether private companies should be involved in their delivery.

Then there are those services like education, healthcare and housing, which society sees as important but where markets already exist alongside public provision. The welfare state offers free education, healthcare and

some (conditional) council housing, for example, in an attempt to make sure these goods are available for all. The quality and quantity of this provision varies. The NHS is superior to private healthcare on many counts. By contrast, council housing is in scarce supply and most people are forced to find housing on the private market even when they want and are eligible for council housing provision.

The existence of markets alongside state provision gives choice to those who can afford it, but also risks creating a ‘two-tier’ society. Consider schools and healthcare. There are state comprehensives, but attending private school buys you increased likelihood of getting a well-paid job⁶. The NHS is free, but you can now pay £50 to see a NHS GP today, without having to queue⁷. If we believe that everyone should have equal access to good education and healthcare regardless of wealth, then paid-for provisions may undermine this.

Another problem with having public and private provision side by side is that public services are increasingly being denigrated and seen as a last resort, just for those who can’t afford such services on the market. Funding to these services can then be cut, and the cycle gets worse.

Public services have an important role to play in moving us towards equality. Economic inequality matters less if public services are good. After all, if you can rely on these services

What role could Quaker meetings and meeting houses (if applicable) play in supporting public spaces and services? What else contributes to social cohesion?

for good quality healthcare, housing, education, and income support when you need it, then money (or the lack of it) is less important.

Public services can also bring people together – especially where they enable people to be together in the same space. As philosopher Michael Sandel says, public services are “traditionally sites for the cultivation of



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a common citizenship, so that people from different walks of life encounter one and other and so acquire enough of a ... sense of a shared life that we can meaningfully think of one another as citizens in a common venture”.

In public spaces, like parks, or libraries, people exist on a common footing, regardless of wealth. Contrast this with the individualised, commercialised space of shopping malls, where we become ‘consumers’, rather than citizens, and where how much money we have to spend makes all the difference. Good public services promote equality by increasing access to social goods for everyone; Public spaces create a greater experience of equality and social cohesion as we spend time in them.

Public services are more open to participation and ownership from their local community than most for-profit enterprises. They have public interest and values of care and service, rather than profit, at their heart.

Finally, if public services are used by the vast majority of people in society, then everyone has a stake in protecting them and ensuring they’re adequately funded and well run. When many figures of influence in our society have been educated privately, and educated their children privately, for example, then they may be less invested in making sure state education is high quality.

So how do we make public services more widely used and widely

appreciated? We could regulate or outlaw private provision that competes with or undermines the principles of service, such as the markets for schools or NHS queue jumps. We may prefer to concentrate on ensuring that public provision is of a high quality, to ensure it competes with private provision. Ensuring that users and staff have a real say in public services could go some way to improving them. Giving the local community a chance to participate in, and feel a sense of ownership over, local public provision could also help protect and improve it.

But let’s think beyond the services that already exist. We could also set up national or regional public companies to provide for areas where the market is failing, such as housing. We could, for example, create a national housing company. This company could coordinate large-scale building of affordable housing – designed for well-being and community, not profit. This scheme could be accountable to the public and all the profits could be re-invested or go back into the public purse. There would be huge economies of scale, driving down costs, and housing could be built to exacting environmental standards. People could put their name down for a house even before any were built, so that demand could be anticipated. The national housing company could also facilitate training and job creation for many people across the country⁸.

Privatisation

“Some public services are not considered suitable opportunities for profit-making.”

Principles for a new economy

What about privatisation of our public services? One problem with privatisation is that private companies will only agree to deliver services if there is profit to be made. Any profit is, in effect, a payment from taxpayers or public service users. We must therefore ask whether private companies are worth the payment they extract. Do they provide better services than the public sector could do on its own?



Photo: G4S Ltd via Wikimedia Commons

Are they cheaper than the public sector? If so, is this because they are more cost-effective or simply because they're cutting costs?

The evidence of outsourcing in the UK now suggests that private companies are not necessarily more efficient than the public sector⁹. What's more, they produce a host of broader negative economic and social impacts that must be shouldered and paid for by the public: additional 'transaction costs' involved in managing the outsourcing process; the loss of transparency and accountability in the service (private companies are often less tightly bound to share their information than the public sector); job losses, which so often result from outsourcing¹⁰.

Privatisation in the NHS, for example, has been linked to increasingly fragmented services, and an increase in time and money being spent on managing the privatisation process¹¹.

The services outsourced are generally ones that it is easy to make a profit from (this is called 'cherry picking') and the private company may not be sufficiently equipped to deal with problems arising. Emergencies caused by 'flu epidemics or prison riots still require government agencies to solve them. So the state, not the private contractor, pays in these cases, as in the 2012 Olympics when private

security company G4S failed to recruit enough staff and the army had to step in. This is why some critics of outsourcing say that while it privatises profit, risk remains public.

In the new economy, we suggest that:

- public sector provision remain public unless there is clear evidence that private sector provision is more suitable.
- where outsourcing occurs, public services should be able to prioritise providers that have a clear commitment to social and environmental values. Contracts should include a clause allowing the contract to be terminated if provision is inadequate. Any company delivering a public service should be bound by the same transparency and freedom of information requirements as the public sphere. These policies are supported by over 85 per cent of the adult population, based on research from We Own It¹².
- before any publicly owned services, like the post office, are sold off, there should be a widespread public consultation.
- there is much greater investment in publicly owned infrastructure and services
- there is greater and more progressive taxation in order to fund this.

Discussion points

Why should the state be more efficient than the private sector? Does it matter who provides goods and services if the quality is good?

Keeping the market in check: Fair competition¹³

In the new economy, we need to regulate and intervene in markets to help them function effectively, and check that power doesn't become concentrated in too few hands. Markets work best when their conditions are as close as possible to a state called 'perfect competition', as Adam Smith described. However, 'perfect competition' is a fantasy – competition can never be completely perfect in reality. Many of the assumptions on which it's based do not hold in the world we live in. Perfect competition requires buyers to have access to perfect information about the availability of goods and services and markets to have no barriers to entry and exit. However, although it can never be fully achieved, competition law and regulation can help markets get closer to this ideal and function more effectively.

Anti-competition

One problem is that over time, businesses within a market may seek to grow, and wealthier

corporations may then be able to use a range of tactics to decrease competition and to unfairly disadvantage others. As fair competition is diminished, a few well-placed businesses are able to raise their prices and increase their profits.

Markets may then become 'oligopolistic', where a handful of buyers or sellers have power to determine prices. Think of the big four supermarkets in the UK, who have been accused of a raft of anti-competitive behaviours over the years. These include 'land banking': buying up retail land in the area around their stores, in order to prevent competitors setting up shop near their turf¹⁴. They also can afford to engage in 'predatory pricing' by selling products below cost so that smaller enterprises are unable to compete¹⁵. With significant market power, they can force farmers and other food suppliers to lower their prices.

Corporate power

As businesses increase their power, they may also seek to influence government decisions in order to increase their profits. Corporations spend billions of pounds per year on lobbying in the UK, and it generally happens behind closed doors¹⁶. Although we have a register of consultant lobbyists, most lobbying that takes place does not need to be registered as it falls outside the

narrow definition of 'lobbying' in the accompanying legislation¹⁷.

Corporate power therefore not only erodes the functioning of markets, it also threatens democracy more broadly. This is a particular problem because corporate and public interests sometimes drastically diverge. If a company's main objective is profit or share-price maximisation in the short term, then it may act in ways that are harmful to wider society or the environment. Examples of this include tobacco companies' suppression of research on the danger of cigarettes¹⁸, and VW installing devices in their cars to cheat at emissions tests¹⁹. Effective regulation, monitoring, education for businesses as well as significant punishment for transgressions can reduce harmful behaviour. Corporations may lobby against legislation and regulation (including competition law) that threatens profits. They have been most successful at doing so in the UK and US.

"Whitehall is increasingly putting the needs of business centre stage."

Michael Fallon, former Business Secretary²¹

This is why it is vital that corporations' influence on government is limited, and the power of other groups, like workers (via unions) and the public (via interest groups, campaigns and

genuine political representation) is strengthened in order to hold corporate power in check (see booklet 2) and enable markets to operate more effectively.

Natural monopolies

Barriers to entry and exit of a market also undermine perfect competition. 'Barriers to entry' mean that it's difficult or costly for businesses to enter a market and compete with those sellers already active.

Some barriers to entry, like supermarkets' land banking, are deliberately created by companies wishing to reduce competition. But some markets are what's called 'natural monopolies'. This means that it is more efficient for just one enterprise to provide the good or service in this market, usually because there are large infrastructure costs involved.

Many utilities markets are natural monopolies, like the provision of an



Photo by Kenueone-2397379 via Wikimedia Commons.

energy grid or tap water. It would be inefficient (not to mention disruptive) for many different companies to build separate, competing energy grids, rail lines or sewage pipes, for example. A danger of natural monopolies, is that the companies active in the market have huge power. Where they are the only people providing a basic good they have a 'captive market', meaning people cannot usually refuse to pay

Competition and 'market freedom'

Big businesses are often talked about as 'wealth creators'. Deregulation of business operations is said to help 'competition'. But it often results in a few businesses gaining more power and market dominance.

In fact, in a truly competitive market, businesses would not make huge profits over the long term.

So when you hear about such profits, this is usually evidence that fair competition has been thwarted and stifled by corporate power and inadequate competition law.

Many economists now think that an economy in which businesses are given free rein to accrue market dominance is bad for economic growth²⁰.

Questions for discussion

Do you agree that big corporations have too much power in the UK?

Do you think gas, electricity, water and train lines should be provided by private companies?

What provisioning of natural monopolies do you think would work best?

for their goods or services, even if prices sharply increase.

One response to this is regulation and price controls, which fix the prices that monopolists can charge. For example, in the UK, National Grid plc owns and manages England's electricity grid. The energy regulator Ofgem imposes price controls to stop National Grid plc raising grid use charges beyond a certain level.

An alternative is for this area of provision to be nationalised or brought into public ownership. This makes particular sense where there is common need or the service is seen as essential, like public transport. Across the world, many nations are bringing utilities back into public control. In recent years, 235 cities worldwide have taken their water supplies into municipal public ownership²². A further option is co-operative management where the utility is owned by its members

– usually users or workers (see booklet 3 on different models of energy provision).

So, in the new economy, we suggest:

- greater regulation of markets, including larger fines for companies who have transgressed regulations or competition law. These fines should be large enough to mean that transgressions are bad for a company's bottom line.
- any attempts by companies or other interest groups to lobby or influence government should be out in the open – with a meaningful register available in the public domain.
- the power of civil society and workers to hold corporations to account is strengthened.
- tax loopholes are closed so that larger companies have to pay their fair share of tax. This creates fairer competition with smaller businesses which are less able to avoid tax. Companies benefit from the public spending that provides education and healthcare for their workers and infrastructure to support their business, so they must contribute.
- natural monopolies are brought into accountable public or cooperative ownership or rigorously regulated.

Externalities

“Prices reflect all social costs.”

Principles of a new economy

Another problem with markets, which requires action from the ‘moral force’ of wider society, is that of ‘externalities’. External costs are where production has a bad effect which the producer doesn’t have to pay for, like causing ill health (e.g. tobacco), harming workers (e.g. shift work) or polluting the atmosphere (see booklet 6, ‘Sharing the Earth’). External benefits are where production has a good effect from which the producer doesn’t benefit (like much basic scientific research, or as beekeepers benefit orchards). Externalities are one of the reasons why climate change has been described as ‘the greatest market failure the world has ever seen’²³.

We can respond by making laws or regulations which limit the negative externalities of market operations. For example, we have banned the



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use of certain harmful products like lead paint or practices like working conditions that threaten employees’ safety. We can use taxation and quota systems to limit and disincentivise the use of certain practices and resources, like giving everyone a personal quota of carbon emissions and taxing any ‘over budget’ emissions (see booklet 6). We can also subsidise activities, like research, which create positive externalities. Done well, this reduces externalities by making their impact better reflected in market prices.

Strengthening non-market values

In a well-functioning market, buyers clearly know what they want and need. In real life, this can be hard. Markets can influence and change our desires. In fact, there is a multibillion advertising industry to do just that, since it’s in businesses’ interests to make us want what they’re selling. The result? Materialism and the perpetual dissatisfaction of always wanting more; a prioritisation of things money can buy (and advertisers can sell us) over things that bring more lasting satisfaction and don’t harm people and planet.

Some countries are introducing interesting and creative solutions to challenge the power of markets and to strengthen non-market values, including increasing public spaces

and a media free of advertising and commercial intrusion. Sweden and Norway have banned TV advertising to children under 12. Sao Paulo in Brazil has introduced 'Clean City Laws' to create commercial-free zones. Publicly funded media like the BBC does not feature adverts, and this should be protected.

Reducing advertising more broadly is reliant on adequate funding being provided for those goods and services that we value. Channel 4 and Transport for London, although they are publicly owned, still rely on advertising for funding.

Another way to challenge the power of the market is to strengthen communities and spaces of belonging outside the market. As discussed, public and community spaces and services contribute to this social capital. Other opportunities for positive participation also build community. Timebanks, Local Exchange Trading Schemes (LETS) and other forms of non-monetary exchange build the gift economy, as discussed in booklet 4. Quaker meetings are a place where community can be nurtured and non-materialist values emphasised. Meeting room buildings and grounds can also be put to use as community spaces where activist groups can meet and support one another, and other forms of organising and sharing can take place.

Democratic provision

Finally, it's worth reiterating the importance of making the public domain accountable to its owners – to us. Our sense of ownership has been eroded. Public services often feel like something done to us, over which we have no real input and control. Although some aspects of public provision, such as NHS guidelines, do need to be organised at a national level, we could increase the local ownership of public services. A sense of local ownership will be nurtured by more genuine democratic accountability and opportunities for people to have a say, and play a part, in improving that service.

The campaign Group We Own It advocates for a public service users bill that would legislate to give the public more rights in outsourcing contracts. It would legislate for more consultation of the public on outsourcing and the quality of services delivered via outsourcing contracts and it would give public service users the right to recall providers who weren't up to scratch. Legislation along these lines would be a hopeful first step towards improving services and making them more democratic.

Many of the examples and discussion above points to broad systemic problems. If our government were more accountable

and representative, corporate power might be less of a problem. This would also be true if all enterprises operating in markets were owned in democratic, accountable ways that put public and environmental interests at the heart of what they did. As we discuss in booklet 2, social enterprises, community income companies and co-ops might be less inclined to pursue profits at social or environmental costs and undermine the competition of these marketplaces. Any work to enrich democratic representation and challenge corporate power can therefore contribute towards the creation of a provisioning system that works for people and planet, rather than big business.

Conclusion

In this booklet we have outlined how well-regulated markets, balanced carefully with non-market values, could play a positive role in a new economy. Our society is awash with powerful myths about markets and public services. Recent UK governments have promoted the role of markets in public service provision at the same time as making deep cuts to funding. This has had the effect of devaluing public provision and the tax system that funds it. So what can we do about it?

We can all become advocates for our public services and be proud of the tax we pay to support them.

This might take the form of campaigning against funding cuts or acts of witness supporting the proper provision of welfare for those in need, like Friends involved in the Barrow pilgrimage, overleaf. Those Friends rejected the divisive narrative of shirkers versus strivers choosing to promote instead a fair and compassionate social safety net. We hold power as consumers and can exercise this power to challenge those who don't pay their taxes, educating ourselves on corporations who avoid and/or evade tax and refusing to be their customers. The coffee company Starbucks recently acknowledged that it was pressure from its customers that prompted it to revisit its tax affairs²⁴. Furthermore, we can choose to invest in ethical enterprises that pay their taxes. This could be a consideration for the investment policy of your Quaker Meeting, if applicable.

Useful organisations and further information

Joseph Rowntree Foundation
www.jrf.org.uk

We Own It
<https://weownit.org.uk/>

Time Banks
www.timebanking.org

Local Exchange Trading Schemes
 LETS
www.letslinkuk.net

Barrow Pilgrimage 2017

In 2016 a family came to the Sedbergh local meeting to share that they were inspired to act in support of the UK welfare system. Their concern struck a chord and, through a process of Quaker discernment, our area meeting decided to 'walk for welfare'.

At least a dozen meetings were represented, from as far away as Hereford. A core of about six people travelled the whole way but we were also joined by individuals en route or for meals. Most walkers were in their 50s or older but younger Friends joined us too: a group from East Cheshire on Wednesday doubled our numbers; a couple in their 20s from London, whose youth was much valued for carrying more burdensome items and offering fresh perspective; and teenagers from our area meeting on the last day.

There were also lots of people supporting us without whom this would not have been possible. They followed us by minibus and car, feeding us at the meeting houses, and providing us with accommodation.

The final leg of the walk down into Barrow was a colourful affair, with banner and umbrellas, and numbers swelling to at least 40. We were met by staff from the *North West Evening Mail* taking photos, to follow up an article about the pilgrimage from earlier in the week. The *Kendal Westmorland Gazette* and BBC Radio Cumbria had also given us coverage.

We stood in silent witness before the town hall. The epilogue to the 2016 film *I, Daniel Blake* was read out, echoing powerfully around the square.

We know we did not change the world, but we feel we achieved what we set out to – to make our voice heard and give witness to our Quaker testimony to that of God in everyone. We acknowledged the right of every individual to be respected and live in dignity. We stood up for the proper provision of care for all when the contingencies of life leave us vulnerable.

Caroline Stow



1. See booklet 1 and 'The Spirit Level', Richard Wilkinson and Kate Pickett.
2. 'We can solve poverty in the UK', Joseph Rowntree Foundation, www.jrf.org.uk/report/we-can-solve-poverty-uk
3. www.jrf.org.uk/report/minimum-income-standard-uk-2015
4. www.jrf.org.uk/report/minimum-income-standard-uk-2015
5. www.bmj.com/content/343/bmj.d5143
6. <http://cee.lse.ac.uk/ceedps/ceedp115.pdf>
7. www.thesun.co.uk/living/1799341/new-app-allows-patients-to-pay-50-to-queue-jump-to-see-nhs-gp/
8. See p. 91 in 'A Book of Ideas' from the Common Weal for discussion of a National Housing Company for Scotland.
9. See <http://theconversation.com/pursuing-efficiency-in-the-public-sector-why-privatisation-is-not-necessarily-the-answer-13142> and <http://www.epsu.org/sites/default/files/article/files/efficiency.pdf>
10. See <http://theconversation.com/pursuing-efficiency-in-the-public-sector-why-privatisation-is-not-necessarily-the-answer-13142> and <http://www.epsu.org/sites/default/files/article/files/efficiency.pdf>
11. www.kingsfund.org.uk/projects/verdict/nhs-being-privatised?gclid=CNWz2IT-FutECFQyeGwodCYACSQ or <https://www.theguardian.com/commentisfree/2013/nov/10/nhs-changes-toxic-david-nicholson>
12. <http://survation.com/wp-content/uploads/2014/04/Public-Ownership-Full-Report.pdf>
13. www.weforum.org/agenda/2016/05/joseph-stiglitz-are-markets-efficient-or-do-they-tend-towards-monopoly-the-verdict-is-in
14. www.bbc.co.uk/blogs/thereporters/robertpeston/2007/10/land_battles.html
15. www.foe.co.uk/resource/press_releases/call_for_new_investigation_25112004
16. 'Friend or Foe, lobbying in British democracy' http://homepages.lboro.ac.uk/~eupp3/Site/Welcome_files/friendorfoe.pdf
17. <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7175>
18. www.who.int/tobacco/media/en/TobaccoExplained.pdf
19. www.bbc.co.uk/news/business-34324772
20. See Stiglitz, Joseph 'The New Era of Monopoly Is Here', www.theguardian.com/business/2016/may/13/new-era-monopoly-joseph-stiglitz
21. Quotation taken from 'Threat to democracy: The impact of 'better regulation' in the UK', http://b.3cdn.net/nefoundation/9c5f5f6281c949ddd9_uom6bvj9y.pdf
22. Our public water future: The global experience with remunicipalisation <https://www.tni.org/en/publication/our-public-water-future>
23. See 'Stern: Climate Change a Market Failure', www.theguardian.com/environment/2007/nov/29/climatechange.carbonemissions
24. <http://www.bbc.co.uk/news/uk-politics-23019514>

Principles for a new economy, a summary

1

The purpose of the economy is the enhancement of all life, human and non-human.

2

We do not over-consume the earth's resources.

3

All (including future beings) have an equal right to access and make use of global commons such as land, soil, water, air, and the biosphere's capacity to process greenhouse gases, within the limits of what is sustainable.

4

Everyone needs time and resources to participate in community life.

5

The well-being of people and planet are not sacrificed to preserve profits or reduce national deficits.

6

Since money plays such a key role in the economy, it is created under democratic control, for positive social benefit rather than private profit.

7

A fundamental equality is recognised, not limited by race, gender or social origin.

8

The tax system redistributes from richer to poorer, with richer people paying a greater proportion of their income.

9

Businesses are structured and owned in a variety of ways. Cooperatives and community-owned enterprises form a large part of the economy as well as private and national ownership.

10

A revitalised, participative and more truly representative democracy is key to our peaceful and prosperous coexistence.

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