

Chapter 12

Sustainable development strategies:
what roles for informal economy initiatives in
the Post-2015 SDGs?

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Abstract

Powerful and continuing processes of globalisation hold implications for the capacities of different sectors to contribute to wellbeing. Conventional thinking is nevertheless still focused on top-down strategies that seek to include and integrate people and places into the global capitalist economy. But, as a safeguard against the vagaries of the formal economic system, an important complementary approach could be to embrace and support bottom-up options for poverty relief and welfare delivery that operate outside the realm of the money economy. This implies recognising the role of the informal economy more explicitly and creating a facilitating context for social innovations that can play important roles in more sustainable development. This chapter frames the issues as a contribution to discourse over the Post-2015 Sustainable Development Goals (SDGs).

12.1 Introduction

This chapter considers the design of the Post-2015 Sustainable Development Goals (SDGs). It integrates four strands of inquiry to build policy recommendations: an analysis of the systemic causes of unsustainable development; an analysis of globalisation processes and how these are affecting both the powers of states and the balance between different societal sectors in their capacities to contribute to wellbeing; reflections on the increasing power and disruptive potential of the illegal economy; and, finally, some reflections on developments in the informal, social, and collaborative economies.¹⁰ The chapter begins by providing a contextual overview of the governance challenge that SDG-design represents.

12.2 Context

The Millennium Development Goal (MDG) framework, which has been in place since 2000, will be succeeded in 2015 by a new framework of SDGs. Signatories to the MDG framework entered into a global partnership to reduce extreme poverty and committed to a set of time-bound targets with an achievement deadline of 2015. Despite progress on some issues, the international community will fail to reach most of the targets. While several countries achieved impressive rates of economic growth over the period for which the MDG framework was established (e.g. China and India), others did not. Further, the gains in terms of lifting people out of poverty are tempered by further widening of the gap between rich and poor, which has grown both between and within countries. Environmental change has also intensified. Competition for shares of the global commons has increased. Uncertainty has also increased.

Acknowledged strengths of the MDGs include the international focus they have given to poverty relief and to delivering more coordinated development approaches across a range of issues, as well as their establishment of simple, clear, often quantifiable, targets able to be monitored, leading to improved possibilities for advocacy and holding officials to account. The MDGs are credited with helping leverage up the levels of development aid funding, at least until the financial crisis hit in 2008. Acknowledged weaknesses include that the process through which the MDGs were developed did not consult stakeholders sufficiently, that the MDGs focus on goals without concern for how to achieve these, and the failure to underscore the MDGs with international human rights and environmental standards.

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One important aspect when reflecting on these strengths and weaknesses is that during the period for which the MDG framework was established (2000-2015) the world has changed markedly. The global population reached 7 billion and has become predominantly urban. Economic power across the world has also shifted markedly. There have been major technological advances, especially in information and communications technologies, in genetic and nano-technologies, and in “smart” materials. There has been major social and political upheaval in some world regions. And, as referred to above, halfway along the MDG-timeline the world experienced a global financial crisis. As we come to the end of the timeline, perhaps what has changed above all else since its start is any sense that future development can be expected to be predictable along familiar trajectories. Continuity and predictability have been replaced by an outlook and likelihood of further dramatic change. Contextually, it is important to consider the role played in this by globalisation processes, as well as their roles as potential drivers of further rapid and unpredictable change.

12.3 Globalisation processes and sustainable development

There is a wide consensus that globalisation processes – the trends of greater interconnection and greater interaction across the world – have been among the most powerful forces driving, framing, and shaping development pathways and outcomes in recent decades (Stephen and Weaver, 2011). There is also a pragmatic realisation that globalisation processes have their own strong internal dynamics. This begs the question of how compatible ongoing globalisation processes are with sustainable development and its associated goals of greater equity among and between generations. This is far from a simple question. On the one hand, globalisation processes, especially economic globalisation processes, accelerate, scale-up, and extend the range and scope of impacts of *other* economic, technological, social, political, and cultural processes. On the other hand, globalisation processes also increase the variety and complexity of interactions in social-ecological systems and this introduces new relationships, new mechanisms, and new pathways through which impacts and outcomes of development processes can be produced.

In an increasingly globalised world the impact of every development decision and every policy intervention can reverberate throughout the ever more connected global social-ecological system. Especially when mediated through global markets, impacts of decisions, actions or policy interventions are therefore no longer limited to the sector, place, people, time, and scale of the initial source of change, but can cut across all these and become more embracing. Interaction, aggregation, and threshold effects all create further complexity, increasing uncertainty. The scale of impacts and the speed with which impacts develop are also affected and this holds whether impacts are positive or negative from a sustainability perspective. While at first sight this might appear as a

“neutral” aspect of globalisation processes, there is an inherent asymmetry in the significance of scale and speed of positive and negative impacts when these affect social-ecological systems at risk of irreversible or catastrophic change; for example, if events outpace the capacities of people and institutions to respond appropriately, or if critical social or ecological thresholds are close to being crossed. At issue in these situations is that the downside potential of negative impacts is more significant for the concerns of sustainability than is the upside potential of positive impacts.

12.4 Globalisation processes and the changing balance of sectors

Globalisation processes, especially those associated with the spread of the neo-liberal regime of political economy, have contributed to a profound and accelerating erosion of state regulatory and fiscal powers. But these powers of states – and, therefore, the capacities of states in their traditional roles as guarantors of wellbeing – are also eroding because capital and the major corporations are no longer bound to be territorially grounded in any specific state jurisdiction. Furthermore, the erosion of states’ fiscal and regulatory powers is associated, also, with growth in the absolute scale of the illegal economy, which is estimated to now rival the scale of the legal economy in many world regions and to account globally for at least 20% of global GDP. This raises questions both as to the relationship between the legal and the illegal and the implications of the prominence of illegal activities for the sustainability of the global economy itself and for the successful pursuit of other dimensions of sustainability (Hudson, 2014).

While always present, illegal activity has expanded and become an integral part of the current phase of capitalist development. Illegal practices are present in routine production in factories and workshops, in the widespread theft of intellectual property, in the growth of counterfeit products, in a variety of exchange and trading activities and, crucially, in flows of money and money laundering activities in centres of global finance that convert money generated in illegal activities into legitimate money capital in the formal mainstream economy (Hudson, 2014). The laundering of money is of particular significance in the context of the systemic sustainability of contemporary economic arrangements. Money laundering principally occurs in Offshore Tax Havens (OTHs) established, originally, as spaces for permitted tax avoidance on the part of (relatively) small numbers of individuals and corporations not permanently resident or established in any specific national jurisdiction. But these have grown to become the sites of a majority of many of the financial transactions of the global economy: over 50% of international bank lending, approximately 33% of foreign direct investment, and 50% of global trade is routed on paper via OTHs which account for only 3% of world GDP (Christensen, 2011).

From one point of view the competitive success of particular companies and states and their economic sustainability is crucially dependent upon their involvement in illegal production and/or trading activities. From another viewpoint, illegal activities within production systems may threaten environmental, social, and political stability of the spaces in which they occur, while the burgeoning illegal practices in the financial sector threaten the systemic sustainability of global capitalism. Hudson (2014) argues that the major global financial crisis that erupted in 2008 “dramatically revealed that unfettered markets threaten the sustainability of the capitalist economy”. Although full-blown economic depression was averted by state interventions, mostly in the form of printing money, the interventions only addressed the immediate symptoms. Such interventions can displace, but not abolish economic crisis tendencies. At the same time, a global ecological crisis is potentially imminent. “The prospect of the coupling of another economic crisis and an ecological crisis raises serious questions about the future sustainability of capitalism in its current form” (Hudson, 2014).

12.5 Sustainability governance and the SDG discourse

These aspects of globalisation processes pose major challenges for governance and for sustainable development. They are also highly significant for the challenge of agreeing Post-2015 Sustainable Development Goals. Whereas there is no dispute either over the symptoms of unsustainable development or over the need to address the systemic causes of unsustainability rather than continue to treat symptoms, stakeholders and interested parties hold many different perspectives on what the main systemic causes of unsustainable development might be and on how these might be addressed. By increasing social-ecological system complexity, globalisation is increasing the range of systemic diagnoses, the range of remedies being proposed, and, perhaps most importantly, the number of points in the social-ecological system where interventions could be used to achieve sustainable development ends.

Against the backdrop of these governance challenges it is important to reflect on how (and how appropriately) the discourse about the SDGs is being developed. A useful review of the discourse is provided by Benson (2013). She identifies six issues that illustrate some of the differences in perspectives on how the problems of poverty, inequality, and environmental degradation are diagnosed and how solutions are proposed. She sets out the different issues as a set of propositions concerning the systemic causes of unsustainable development. The problem is about:

- meeting basic needs: we cannot tackle everything, so we should concentrate on helping the poorest and most marginalised people and groups;
- projecting human rights: human rights are about more than just basic material needs, so we need to focus also on political participation, justice, peace, and good governance;

- restoring natural resources: the poor suffer most from degradation of natural resources and stand to benefit most from protecting our natural systems, so we should prioritise this;
- tackling inequality: there is enough to go around if we can only address inequalities, so we need to address income, gender, spatial, and trade inequalities as well as unequal access to natural resources and environmental services;
- growth and models of growth: economic times are tough and development aid is being withdrawn or is becoming less relevant in many countries, so we should support technological innovation, entrepreneurship, job creation, and growth, but along a new growth model that is greener and more inclusive; and
- better institutions: our institutions are weak, fragmented, biased and often self-serving or corrupted, so stronger political and market institutions would all help problems to resolve themselves.

[Source: adapted from Benson, 2013]

Benson points out that different problem diagnoses lead to very different suggestions for sustainable development goals. They can lead also to more fundamental disagreements over the role of a global framework and over if and how the connections between ecosystem health and poverty reduction can be tackled in a single and universal framework.

12.6 An alternative perspective

On the one hand, the discourse Benson describes helps set the scene for a *flexible* framework for the SDGs to come, a framework that is *pragmatic* about the changing geo-political context of shifts in the power balance between states and regions and that seeks to address problems of unsustainability in a *systemic* way. On the other hand, the discourse she describes is nevertheless framed largely by an implicit assumption of continuity of the present model of global capitalism. Here we argue that there is a need to reconceptualise the ways we think about how the wellbeing of citizens is secured and the roles and capacities of different sectors and activities in securing wellbeing. Conventional thinking is often focused on top-down strategies that seek to include and integrate people and places into the global capitalist economy. But, as a safety net and safeguard against the vagaries and potential collapse of the formal economic system, an important complementary approach could be to embrace and support bottom-up options for poverty relief that operate outside the realm of the money economy.

Briefly, such options include the informal and social (or alternative) economy and the emerging “zero marginal cost” economy.¹¹ This chapter focuses on the first of these.

The informal and social (or alternative) economy is a system of trade or exchange used outside state-controlled or money-based transactions. It includes barter and exchange of goods and services, mutual self-help, self-employment and subsistence activities. The informal economy has grown continuously in most developing countries, but it is now growing quickly also in developed countries, especially through more formal approaches to social innovation and more highly organised and networked activities of social entrepreneurs and social innovators. Time banking is an example of the kind of social innovation that holds potential to contribute to a new form of sharing economy and, through that, contribute to transformative societal change of the kind that may be needed if aspirations for sustainable development are to be met.

Time banking is a rule-based system of reciprocal service exchange that uses the time spent delivering or receiving service as a form of “complementary currency” (Weaver et al, 2015). The rules for service exchanges are based upon a set of core values and principles: inclusion, mutual respect (everyone has something to offer), reciprocity, and equality in the value of exchanged services. The services exchanged in time banks range in sophistication from the very simple, such as dog walking and car washing, to more complex arrangements, such as teaching piano or languages, and to sometimes sensitive personal services, such as child-minding or providing care and help to elderly people or people with disabilities. In time banking all services are valued equally whatever their level of sophistication or complexity. The unit of exchange and account for all services is the same. It is simply the hours spent giving or receiving service.

Time banking is based on a philosophy of building strong communities, providing care-in-the-community, and incentivising and rewarding community members for community service. Poverty, unemployment, and change in the types of skills and experience demanded in the economy are some of the ways through which the economic crisis comes in. For those with little money, the provision of a service is a way to obtain a return service of their own choice. For those without a job it is a way, *inter alia*, to contribute usefully to society, to be included in society, to maintain or establish a sense of purpose and identity, to develop contact networks, and to maintain or build skills and experience. But there is more to the time banking philosophy than this. It is

¹¹ The “zero marginal cost” economy (Rifkin, 2014) is part of an emerging collaborative economy that is being made possible because of technological advances that are reducing the marginal costs of production of some goods and services effectively to almost zero and that are enabling production to be decentralised and exchange of services to be arranged online. In combination with internet communication and social networking, these developments have already transformed some economic sectors, such as the information, recording and publishing industries, where there is no longer need for information to assume a material form. But the latest technological developments in decentralised energy production and 3-D printing, for example, are extending this to other areas of economic production. Individuals and localities can become producers and marketers as well as consumers and through these developments can completely by-pass conventional markets and their inherent systemic instabilities.

also about challenging prevailing paradigms and norms concerning the nature and source of wealth and social security (which time bankers see as lying in the abundant resources of people, their skills, and their time) and about changing the nature of relationships of individuals and communities with today's dominant systems from passive dependence on globalised market economies and state welfare systems to proactive responsibility-taking and greater autonomy.

Definition is important in time banking. Time banking is not the same as barter, which is typically restricted to only two concerned parties. Rather, in time banking the giving and receiving of services is generalised within a community network. Also, time banking is not the same as volunteering, which is a one-way act of charity. In time banking, reciprocation – the giving and the receiving of services – is important, since the idea in time banking is that transformation at the level of the individual is based on reciprocity and occurs as much (if not more) from the vulnerability of receiving services as from the socially approved act in conventional volunteering of giving charity. Reciprocity is important also for building strong community relationships. Time banking values of inclusion, mutual respect, and equality are practised through reciprocal service exchanges and, thereby, are inculcated into new relationships between community members that the service exchanges entail. These are intended to strengthen intra-community bonds, achieving greater autonomy and self-reliance at the community level through greater interdependence among time bank members and greater use, sharing, and development of community-based (human and other) resources to meet individual and community needs. In turn this reduces individual and community dependence on dominant systems, such as the market economy.

For time banking protagonists the integrity of time banking in terms of its core values, principles, and the reciprocal service exchange mechanism is also important. It is the specific combination of the time banking values and principles as operationalised through the reciprocal service exchange mechanism that gives time banking its specific potential for transformative change. The espoused values of time banking stress cooperation, reciprocity, equality, abundance, self-worth, and self-reliance rather than those of competition, exploitation, scarcity-value, and dependence. Key here is that time banking values and principles are diametric opposites of those of today's dominant systems through which societal relationships are mostly established, i.e. the market and the state (professionalised) welfare system (Weaver et al, 2015). The market economy values scarcity, not abundance and works on competition, not cooperation, thus marginalising many people and excluding them from market benefits. In the understanding of time banking protagonists, the market economy gives rise to “throwaway people”, especially under economic globalisation and hegemonic neo-liberalism, so the time banking mantra is “no more throwaway people”. Likewise, the professionalised state-provided welfare system is increasingly overstretched, ineffective, and inefficient, and cannot be relied on to secure everyone's welfare. Similarly many public services (e.g. criminal justice) struggle to achieve their missions, so these are not assured either. Time banking is thus seen by its

proponents to be a mechanism for routinising and institutionalising the practice of a personally and community-constructive set of values that can counter the values that are institutionalised in the market and in state welfare systems, which are often seen by time banking protagonists as destructive to the well-being of individuals and communities.

12.7 Conclusions

The state as “first” sector is conventionally viewed as responsible for furnishing protection, security, and continuity. As regulatory authority it holds powers to regulate the other sectors. Business as “second” sector is motivated by profit, is incentivised to produce and market goods and services, and is subject to both the forces of market competition and to state regulatory and fiscal controls. Civil society as “third” sector involves voluntary collective action around shared interests, purposes, and values. But in addition to these conventionally recognised sectors there are at least two other, less well-recognised sectors of activity, the informal economy and the illegal economy. An important consequence of globalisation processes has been the change in the balance of these different sectors of activity and, especially, in state capacities to continue to act effectively in its traditional role as guarantor of wellbeing. Albeit that the market has grown in importance and, de facto, has become the major mechanism for delivering answers to the basic economic questions of what to produce, how and for whom, there are systemic biases in allocative mechanisms. These are no longer as readily addressable through redistributive mechanisms of development aid or payment of welfare benefits, which are undermined as state fiscal powers erode. Simultaneously, the sustainability of the global capitalist model is jeopardised by the very lack of financial regulation that the neoliberal politico-economic regime espouses.

An important implication that might be drawn, then, concerns a need for the SDGs to embrace options beyond the scope of poverty relief efforts that focus heavily on integrating people and places into the capitalist market economy. In developing the SDG framework a diversified approach placing stronger emphasis on supporting bottom-up approaches to poverty relief being developed beyond the state and outside the formal capitalist economy could therefore be an appropriate complement to approaches that, in the face of decline in the role of the state, seek predominantly to integrate people and places into the global market system even when this could be at risk of systemic failure. Such bottom-up approaches within the informal economy include: the non-money (complementary currency) economies, the collaborative and “sharing” economies, and the emerging “zero marginal cost” economy, all of which illustrate scope to relieve poverty and deliver wellbeing outside the formal economy in ways that are cushioned from the vagaries and arbitrariness of dependence on global markets or the state and are also legitimate and legal. Potentially, these may be able to offer shelter from the shocks and crises likely to afflict global markets and global capitalism in the period ahead.

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