

The Power and Instability of Global Financial Markets

BRUCE NIXON

As the world changes daily at breakneck speed, we need to find new ways to cope without forfeiting our essential humanity. This is a very personal view of the influence of the global market place and the power brokers who seek to control our economic and political destiny.

Stockmarkets tend to operate on greed and fear
Lord Hanson, speaking on BBC, Radio 4, Today, April 2000.

All of us South Africans were less whole than we would have been without apartheid. Those who were privileged lost out as they became more uncaring, less compassionate, less humane and therefore less human; for this universe is constructed in such a way that unless we live in accordance with its moral laws we will pay a price. Our humanity is bound together in what the Bible calls "the bundle of life". Our humanity is caught up in that of all others. We are human because we belong.

Desmond Tutu, No Future without Forgiveness. Rider 1999.

Problems cannot be solved at the same level of consciousness that created them.
Albert Einstein

The enormous effects of the shocking tragedy of 9/11, the collapse of dot.com stocks, the fallout from Enron, Andersen, WorldCom and other scandals have underlined just how vulnerable our world is, particularly to greed, excessive power, lack of global awareness and lack of respect for difference.

Meg Wheatley, American consultant and author, speaking of Robert Greenleaf's admonition to "do no harm", said:

Doing no harm is exceedingly difficult. It's not just about doing good, it's actually about avoiding harm. We don't see the consequences of our actions. America is in the midst of a huge "wake up call" about what is the cost to the rest of the world for us to be living the life we are living. It isn't about terrorist activity; it's about noticing that we put an extraordinary demand on the rest of the world for resources and energy, and that our way of life does not work well for most other people because of the demands we put on them. (Wheatley, M, 2002.)

We need a new order to reform or replace the current global system based on Western 'free' market capitalism coupled with its version of democracy.

The power and instability of uncontrolled financial markets is one of the big issues. They make it harder for countries to develop or manage their economies and they contribute to the insecurity of ordinary people and their livelihoods. Businesses, also, need stability. Retired people need a more secure financial future. Surviving in the global economy is enormously difficult, given the power of transnational corporations (TNC's); uncontrolled and unstable financial markets; sustained by the unrepresentative nature of global institutions such as the World Bank and WTO. Many people now argue that, given the power of financial markets and TNC's, it

George Soros (Soros, G, 1998) fears that the power of international markets and financiers has outstripped the power of political leaders and threatens democracy. John Gray, author of *The False Dawn—the Delusions of global Capitalism* (Gray, J, 1998), said on BBC R4's Today Programme: 'The major delusion is that you can create a world wide global economy that is self regulating'.

Another commentator speaking on the same programme, said what matters is what works best in achieving your goals and contrasted de-regulated (also Mafia ridden) Russia with China. The latter may be on a better development path.

Third World countries and the World Development Movement (WDM) are calling for a comprehensive framework of rules to ensure that foreign investment helps rather than harms the world's poor, and for the regulation of multinationals. WDM is also campaigning against the Multilateral Agreement on Investment (MAI), which, it argues, will give multinationals sweeping rights to invest in countries that sign up without corresponding responsibilities. Christian Aid, WDM and many others are campaigning for *fair* trade rather than free trade.

Denis MacShane, Labour MP for Rotherham, in his review of Jeff Gates book, *The Ownership Solution - Towards a Shared Capitalism for the Twenty-First Century* (Gates, J, 1998) wrote in the Independent, 12 December 1998:

Yet there is a better way. Jeff Gates — neither financier, nor professor, nor journalist — has written the best book on economics for a generation in 'The Ownership Solution'.... The clumsy acronym ESOP (Employee Share Ownership Plan) does no justice to a new form of ownership that goes far beyond either the state ownership of classic socialism or the Anglo-Saxon model of ownership by pension, saving and insurance funds, ESOPs in the US cover more than 9 million workers in more than 10,000 firms. Jeff Gates served as a counsel for the US Senate Finance Committee, which developed ESOP legislation in the 1980s, and his book is a huge how-to-do-it compendium covering all aspects of the legal, fiscal and ethical complexities of changing company ownership.

In Britain, we are stuck with quill pen-and-ink company legislation largely unchanged since 1857. Our one-club model of ownership — the plc — stifles innovation and entrepreneurship. To change that requires changes in what we mean by ownership, so that more people will have a sense that they belong in the economy and can benefit from its activity.

Can Britain take a lead to encourage new forms of ownership based around employee stakeholding? This could be the third-way model for the next century. It would help to restore the equilibrium that, as George Soros has finally understood, is desperately missing from the modern economy.

This book is highly relevant to leaders who want to create, within their organisations, real **partnership** that is not just a well meaning but empty aspiration, because employees have no financial partnership or ownership. Employees cannot be expected to display "ownership" unless they do indeed own some of the business. (See the chapters 12 and 13 respectively on Leadership and New Company within the New Economy).

There have been other attempts to find alternative forms of ownership for companies that do not tie them to the pressures and unpredictability of the stock market and enable them to focus on serving customers (providing good value), employees and the community. Examples are the Co-op

movement, the John Lewis Partnership, St Lukes Advertising, Baxi Partnership Limited and the Scott Bader Commonwealth.

The UK's Employee Ownership Index finds that EO companies outperform all the major indices over the long term. Scott Bader have produced a Manifesto for Employee-Ownership and Baxi Partnership Limited have created a capital fund dedicated to the establishment of employee-ownership. Both the Scott Bader Commonwealth and the Baxi Partnership provide support to companies wishing to move to employee ownership. Mark Lazarowicz's private members bill to extend schemes offering shares in companies to employees, The Employee Share Scheme Bill, 2002, received the backing of Government and was unopposed by MPs. It has now gone to the House of Lords and is likely to be enacted.

The failure of Railtrack, chaos over the future of Royal Mail, controversy over funding the UK's part privatised National Air Traffic Services (NATS) and the modernisation of London Underground illustrate the need for alternatives to nationalisation (restricted by outdated treasury rules that obstruct adequate fundraising for capital projects and, historically, the milking of profits by the Treasury), privatisation and private public partnerships. Public services need to be separated from the instability of financial markets. Agriculture and rural economies need a better model for small-scale farmers who wish to collaborate in shared services. At present, there is no really satisfactory legal framework for the creation of such alternatives.

Current proposals include the Public Interest Corporation and the Trustee Enterprise. Ray Sheath, ex-chair of the trustees of the Scott Bader Commonwealth, is working to bring about legislative changes that would enable the creation of Trustee Enterprises. Legally these can be regarded as a true hybrid of commercial companies and charities. They would not replace the existing company forms but would provide attractive alternatives alongside, thus facilitating a choice for socially minded entrepreneurs and public bodies providing services such as water and transportation. Profits would be ploughed back to finance investment, instead of going to shareholders. Trustee Enterprises protect the public interests enshrined in a covenant whereas the ownership of employee owned enterprises is unstable. Co-operatives have tended to stagnate because of the nature of the ownership. Trusteeship brings the organisation back into balance with society. Covenants would be entrenched in their constitutions, protecting the public interest by focusing on the well being of customers and employees. Companies could opt to migrate to these forms. It is inevitable that new enabling legislation will emerge, worldwide, as the flaws in the current financial system become more and more apparent.

Radical and practical transitional initiatives (Utopia takes longer, as Canon Peter Challen said to me!) are also emerging to create sources of finance for socially beneficial uses: for local authorities, small, especially, and larger companies that do not involve going to the stock market or paying interest on borrowings. (Shakespeare, R and Challen, P, 2002). Some of these ideas are shared in Islamic thinking.

Global financial instability is part of the scenario within which we are operating. It is yet another facet of the unpredictability which people in organisations as well as retired people face and there is a growing need for them to find ways of coping. Chapter 11, Beyond Materialism, says something practical about this for people like you and me. Because we live in an interconnected

living system, most of the chapters in this book overlap and are impossible to separate neatly into distinct boxes.

The world is in crisis; but that is how things start to change. Every day, as I write there are fresh proposals, protests, fresh initiatives, and new petitions. It is impossible to keep up with them, because they are so numerous and diverse. As our consciousness transforms, we develop new solutions. It seems likely that we are on the verge of developing a successor to free market capitalism, until now the only available alternative to communism. Perhaps we are also on the verge of transforming democracy and creating global democracy (eg Charter 99 and World Wide Democracy Network). Western democracy – though far better than dictatorship - is clearly not working well enough: too prone to corporate influence; often only representing first past the post winners, not sufficiently inclusive; largely benefiting prosperous citizens; frequently ineffectual in bringing about change and increasingly distrusted by ordinary people, as declining participation in elections shows.

There is a movement, not easily discernable, at the heart of things to reverse the awful centrifugal force of alienation, brokenness, division, hostility and disharmony. God has set in motion a centripetal process, a moving towards the Centre, towards unity, harmony, goodness, peace and justice; one that removes barriers.

Archbishop Desmond Tutu, *No Future without Forgiveness*, Rider, 1999.

We are sometimes inclined to think that the same things are monotonously repeated over and over again in the history of creation. That is because the season is too long by comparison with the brevity of our individual lives, and the transformation too vast and too inward by comparison with our superficial and restricted outlook, for us to see the progress of what is tirelessly taking place in and through all matter and spirit.

Teilhard de Chardin, *Le Milieu Divin*.

Change will inevitably follow the transformation already taking place in our awareness and consciousness. That's how it works.

Suggested Further Reading

- Bader, G, (1997), *The Transforming Ethic*, Essay in Gandhi and the Contemporary World, Indo British Historical Society, ISBN 819000 68 19
- Bunzl, J, (2001), *The Simultaneous Policy - an insiders guide to saving humanity and the planet*, New European Publications, London. www.simpol.org e-mail: jbunzl@simpol.org
- Hertz, N, (2001), *The Silent Takeover: Global Capitalism and the Death of Democracy*, London, Random House.
- Monbiot, G, (2001), *Captive State - The Corporate Takeover of Britain*. London, Pan Books,
- Lerner, Rabbi Michael, (2001) *A New Bottom Line*, unpublished paper, ,The TIKKUN COMMUNITY, see www.tikkun.org
- Shakespeare, R and Challen, Canon P, (2002), *Seven Steps to Justice*, New European Publications Limited.
- Tutu, Archbishop Desmond (1999), *No Future without Forgiveness*, Rider.
- Wheatley, M, (2002) *The Servant Leader From Hero to Host – An Interview with Margaret Wheatley*, The Greenleaf Centre for Servant-Leadership,.

Resources

- Baxi Partnership Limited helps companies develop successfully in employee ownership; <http://www.baxipartnership.co.uk>
- Berkana Institute; www.berkana.org; Meg Wheatley's global educational institute
- Canon Peter Challen; weekly open table on monetary reform on Wednesdays 11-00 am to 1-00 pm at the Friends Meeting House Cafeteria, Euston Road, London, NW1 tel 0207-207-0509
- Corporate Watch www.corpwatch.org
- Centre for Tomorrow's Company, tel: 020-7930-5150, www.tomorrowscompany.com
- Charter 99, a Charter for Global Democracy; www.charter99.org
- Job Ownership Ltd, an not for profit organisation that has been researching, lobbying and advising on employee ownership for over 20 years in UK and round the world; 0207-821-9298 www.jobownership.co.uk
- New Economics Foundation; 020-7407-7447; info@neweconomics.orindependent, www.neweconomics.org
- Positive News and Living Lightly; office@positivenews.org.uk tel from UK 0845 4584758 website www.positivenews.org.uk
- Ray Sheath, Campaign for Trusteeship, ray@worldscape.co.uk
- Scott Bader Commonwealth; 01933-663100; www.scottbader.com
- The Sustainable Society Directory; Web: <http://www.sustainable-society.co.uk>; E-mail: francesca@franmail.freeuk.com
- The TIKKUN COMMUNITY, see www.tikkun.org
- World Wide Democracy Network; www.wwdemocracy.org

NOTES

This is a slightly edited version of a revised chapter from Bruce Nixon's influential book, *Global Forces: a Guide for Enlightened Leaders*. First published in two years ago, the revised second edition is about to be published in March 2003 by Management Books 2000 Ltd.

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