

What Is The Right Size?

Margaret Legum [SANE, South Africa]

Copyright: Margaret Legum, 2007

Popes are not necessarily the clearest communicators; but they can be worth the effort. Take Pope Pius XII: *'It is an injustice, and at the same time a grave evil and disturbance of right order, to assign to a greater and higher association what lesser and subordinate organisations can do.'*

That principle of 'subsidiarity' – that everything is best decided and effected closest to the people who will be affected – is widely accepted in politics: it is central to the EU principle.

The New Economic Foundation in London has a series of research documents around the appropriate size for different kinds of economic activity and sector. They make startlingly good reading – perfectly obvious in some ways and counter-culture in those where mega-size is assumed to be best. *'Return to Scale'* is followed by *'Public Spending for Public Benefit'* and *'Who'se the Entrepreneur?'* about social entrepreneurship in local economic development. All offer practical, implementable tools for supplementing or replacing the global scale, based on markets that serve humanity rather than oppressing us. (Ref: www.neweconomics.org)

In recent times, 'right-sizing' has been the business euphemism for sacking people - succeeding 'down-sizing', which sounded somehow nastier and also unsuccessful. So it seems odd that we do not debate what would be the optimum scale for different sectors of the world's economy. It is assumed that global is best. If you make something, you have really arrived if you export it; if you sell something, you are congratulated if it is good quality, cheap and imported.

Obviously things like ship-building must have a world market and operate on a huge scale, as would mining for minerals: it would be silly for every nation to establish its own shipyards or uranium mines.

The same is not obviously true of food, footwear, furniture or practically anything you see around you on a daily basis. The advantage of the global stage for consumers is that it encourages competition on price. And for producers it means employees must compete globally to keep their jobs; and that means higher profits. For those reasons – the influence of business and organised consumers - it is actually illegal under the rules of the World Trade Organisation, to interfere with global trade. You may not ask, effectively, what is the right scale of operation for this sector in this country.

But are there disadvantages to large size? The global scale carries a high price if it is applied to everything. The global capital market is dangerous, because anybody's business is everybody's business: the rand's level is beyond our control. If the financial sector over-reaches in one powerful country, it threatens a global disruption to the whole money system. Every nation dreads a fall in the price of the dollar, because it would affect their own economy.

The global emphasis is especially expensive for developing countries because it discourages employment through import-substitution, and encourages exporting through specialisation. So when the price of a raw material or commodity falls, the whole economy is

affected. There is nothing to fall back on if diversity has been sacrificed to exports. And 'economies of scale' – which are assumed to cheapen everything – ignore the economies of localisation.

What are those? Localised food, for instance, is cheaper in a number of respects that are ignored if we concentrate only on the price in the global supermarket. Food grown locally contributes to feeding the people who grow it: and that avoids the variety of costs associated with hungry people – from disease to crime to poor economic performance. It costs less to transport: no small advantage when fossil fuel problems are considered. It is healthier, more likely to nourish than deplete the soil, more likely to use less harsh and expensive chemicals: in other words cheaper in the wider scheme of things.

Currently the way we grow food contributes to hunger and poverty. When the price of oil really bites, those who can grow their own, and the localities', food will be the aristocrats – not, as now, looked down upon as subsistence peasants with dirty hands.

In opting for the largest scale we have not related the question of scale to the overall objective of policy. For instance, it is by now accepted that poverty, inequality and unemployment are an unsustainable world condition, and must be diminished. We also know that growing food on an industrial, single-crop model, and selling it in supermarkets, increases poverty – by replacing a large number of small farmers with a small number of waged labourers, and replacing small retailers with hypermarkets.

But throughout the world governments still encourage world food trade in a variety of ways from tax incentives to capital and export subsidies. This, together with an emphasis on low inflation, actually discourages development that would lead to less poverty, more employment and more self-sufficiency.

Similarly ecological sustainability is usually more easily reached when economic activity is more local. Energy generation and distribution, recycling and small business are often more efficient for the planet when they are local. Local democracy can regenerate local economies. And so on. As a slogan 'local' is this season's 'global'. We need national and international policies to effect it.

SUGGESTED CITATION:

Margaret Legum, "What Is The Right Size?", *post-autistic economics review*, issue no. 44, 9 December 2007, pp. 75-76, <http://www.paecon.net/PAERreview/issue44/Legum44.pdf>