8/1/1999

Att: Commissioner Cosgrove,

Dear Sir,

I apologise for the delay in this submission as I sought the approvalof my association, to which it was granted. I have also included an article fromthe Sun-Herald, dated 13 December 1998, which also examines the current retail climate.

kind regards,

Salvatore Scevola.
124 Parramatta Rd
Croydon NSW 2132
02- 9744 6405

4-12-1998.

To the Productivity Commission
Mr. John Cosgrove
Belconnen, Canberra.

Re: Impact of Competition Policy Reforms on Rural & Regional Australia.

Dear Commissioner Cosgrove,

Pursuant to our meeting of Tuesday the **1st of December 1998** In accompaniment of the fellow attendees from the various small business sectors, I would like to note for the record in this correspondence some areas of concern which I think were not fully expanded on during the meeting .

To start with the Point Raised by Mr. Bastian regarding the example of the **10 cents cheaper carrots** with competition policy if indeed there have been **10 Australian Job losses to achieve it.** Small businesses particularly in Rural and Regional Australia go to the wall because the major chains **(Substantially Foreign owned)** with their buying power constantly undercut till the competition has disappeared. The Reason the little man **cannot compete** with the chains, is quite unique, in that the chains can sell items for invoice cost or under and still make profit. This Phenomenon is exposed in the reciprocal arrangements between the chains and their suppliers. For example, for a supplier of butter to have it's product even viewed by purchasers for the major chains, It must pay for this privilege, for it to be placed on the shelves, they must secure some form of rebate for the major chains volume sales, and to be placed on a particular shelf at strategic heights, it must also **pay a premium**, this is all before they have nailed the price down to the ground by entering into **contractual arrangements forbidding price rises on the part of the supplier.** Now, taking all those facts into consideration there is **no way** any small businessman can possibly compete.

When the Major chains apply their strategic plans to a rural community, they purposely set out to eradicate the competition to **Zero** in as least time as possible, the financial ramifications are only one aspect of the disaster as in the process they tear apart the family unit, in God knows how many Australian households and, the big end of town tell us not to worry it will all be all right in the end, And we always get told it is good for consumers, competition brings prices down. Should it not become financially viable for the chains in a three to five year plan, then they just pack up and go **taking with them the moral and the hearts of the ghost towns they leave behind.** governments constantly spend valuable resources to gauge a multiplicity of monetary indicators, and not worrying enough , about the social costs to the **fabric of our society.** Drug, alcohol, Gambling, youth & Adult Suicide, divorce, domestic violence, homicide and attacks on elders all seem to be financially motivated, and a direct result of too much economic rationalisim.You take away someone's livelihood and future prosperity, then wonder why they come in contact with the incidents I have just identified.

The basic essentials of life such as **Milk, Petrol and Banking** are examples of Government De-regulation, **What benefit has stemmed to the masses?** The fact is that more banks have closed in rural Australia creating more ghost towns, petrol prices keep skyrocketing although crude oil is the lowest price per barrel in 12 years, and Milk has not dropped 1 cent in price only the benefits have been **creamed by the multinationals.**

I draw to the commissioners attention an article which appeared in today's financial review titled **The Breaking Point** (copy attached) by a Hazel Henderson from the **United Nations,** Ms Henderson has very well identified something I have agreed with for a long time, namely that " Today is a De-regulated global financial Casino" run by Mediaocracies, benefiting those with the concentration of capital in slush funds in tiny tax-free Island havens. I agree with her entirely when she say's "nations will need to regain some of their lost sovereignty in order to maintain their political legitimacy and manage their domestic economies democratically for the benefit of the majority of it's citizens".

When a community is supported by many diverse and competing small businesses, it is a **harmonious equitable system**, local businessmen and women, **Mum's and Dad's** put back into the community in so many ways, merely by living and raising their families. for Example: Mum & Dad with a couple of children own a milk bar / Mixed business, in these situations the children grow up participating with the parents after school for the welfare of the business, not out and about in gaming parlors forming gangs and getting involved in unwanted troubles. Hence expanding on a true sense of community and belonging. In essence Mr. Commissioner small businesses represent the ***little drops that fill the mighty ocean,*** Governments rely on Dam's, only when the Dam fails, all the reserves are lost and wasted. where on the other hand ***the ocean has many rivers that it can freely flow through to.*** I feel we have lost sight of the game, **money is no longer a medium of exchange as was intended, it has now become no more than a trading commodity.**

The changes needed in order to **tax international commerce** is only one area the government should embrace but also, Federal divestiture and anti-trust laws implemented to stop the further erosion of our children's prosperity. **This power vacuum** sucks all residual capital from nation states and builds and consolidates it's domination on them.

Something must be done, not extreme right nor the extreme left we need the middle ground THE CONSCIOUS WAY.

faithfully,

Salvatore (Sam) Scevola.

review

YOUR LIFT-OUT GUIDE TO THE WORLD OF ISSUES, IDEAS & OPINION

Picture: Andrew Taylor

THE BREAKING POINT

Hazel Henderson on the urgent need to re-imagine our socio-economic order

Steering national policies via the GNP-growth formula has proved disastrous, socially and environmentally. It has allowed enormous backlogs of social and environmental costs to be swept under the accounting "rug". The costs of cannibalising a country's social and human capital, institutions, family and community life as well as polluting and depleting environmental resources – are now all too visible. The Asian meltdown showed that dashes for GNP-growth via slave wages and environmental destruction are unsustainable, as is today's deregulated global financial casino.

We measure according to our dominant cultural view of what is valuable. When GNP/GDP accounts were set up in World War II, bombs, bullets and war production were the goal, while the value of children, a healthy educated citizenry, infrastructure, social safety nets and the environment were all set at zero. This statistical viewpoint is still perpetuated – not only by bureaucratic inertia but by the sectors, interest groups and politically powerful forces amplified by such a system of national accounts. Military budgets remain off-limits while social safety nets, health, education, environment and even repairs to infrastructure are pushed down national budget priority lists.

A subtle disintermediation has occurred, slowly devaluing employment, caring work, parenting, social services and safety nets while overvaluing finance itself, i.e. paper asset-shuffling. The financial services sectors grew ninefold – out of all proportion to the real economies of Main Street they were designed to track and serve. This same sort of disintermediation has also devalued the commodities sector and natural resources. One could simply make more money by holding and trading financial assets. Many critics like myself have pointed out over the past 25 years that this overblown finance sector was a "bubble" and that when it deflated, as on October 19, 1987 – Main Street and the world's traditional resource and human-capital based economies of the world would actually benefit.

Even though cyber-libertarians and electronic currency traders do not like earthbound constraints, the laws of thermodynamics still operate. One cannot fill a car's gas tank with a "virtual gallon of petrol". All this was pointed out by Nicholas Georgescu-Roegen – in his *The Entropy Law and the Economic Process* in 1971, whom I have regarded as the much sought-after "new Keynes". Although improvements in communications and materials sciences have since led to a profound dematerialising of OECD economies – today's debates involve the extent to which this process, which Buckminster Fuller called ephemeralisation, can continue substituting knowledge and communications for natural resources. Here is where social and human capital and investments in people and social infrastructure are key. Societies cannot continue dematerialising their economies without investing in maintaining such social architecture and human capital for further advances in research. Knowledge, human capital, trust, cohesive values and sound management of the planet's biodiversity and natural resources are now the key factors of production.

Currently, economists still bestride the policy process and offer concepts for managing global commons based on extending property rights. They bring along their obsolete models of Pareto Optimality (which assumes away unequal distribution of wealth, power and information). Economists propose to enclose the last commons as "property regimes" for economic efficiency while omitting the truth that all such schemes are essentially *political* allocations of resources. Futurists and systems theorists see them as closed systems requiring win-win rules. Today, economists are busy calculating the price of rainforests, biodiversity, watersheds etc, using opinion surveys of "Willingness to Pay" to preserve such commons. This forces ordinary citizens to bid for such resources (of no direct benefit to them) against commercial developers who would directly benefit. Such absurd WTP-derived "contingency prices" are hopelessly inaccurate and drastically undervalue common resources. Only calculating replacement costs would suffice but these resources are often irreplaceable.

Meanwhile the current United Nations System of National Accounts still over-values the goods and artifacts of the receding industrial era, while many OECD economies are nearing the US's 70 per cent services sector. Such services still do not include those of the Love Economy – eroding daily through neglect – in broken families, community breakdown, drugs, inner-city decay, and spreading epidemics such as tuberculosis, once thought contained. Statisticians in the USA are at work overhauling the categories of GNP/GDP, which still are dominated by widgets and goods, to include software, services, knowledge industries and intellectual capital. But the conceptual confusion continues as we proceed further into the Age of Light based on deeper knowledge of nature, ourselves and powered by renewable resources and solar energy.

For example, an egregious error in GNP/GDP is the lack of asset accounts for investments in infrastructure and human capital. These investments should be carried and expensed over their useful life, often 50-100 years. GNP/GDP are "cash-flow" statements of money-denominated transactions, with such longer-term investments (infrastructure, education, infant health, etc) treated as "consumption" and written off each year. Try running a corporation that way – if a costly productive facility could not be amortised over its useful life. In 1996 the USA added an infrastructure asset account to its GDP. This statistical correction reduced the US budget deficit by approximately $100 billion per year, by accounting for some infrastructure assets, but still not education or other investments in human or social capital (e.g. science, R&D, etc). The USA's budget surplus was also achieved by some $100 billion reduction in still-bloated military expenditures. This budget "surplus", claimed as the result of superior economic management (certainly improved

Continued next page

INSIDE

BREAKING POINTS

From previous page

accounting) attracted billions in flight capital from other jittery markets after Asia's meltdown went global, and seeking safe havens in the US stock and bond markets. Furthermore, if all other countries simply made the same recalculations to their own GDPs, all would soon show similar budget "surpluses". European Union member countries (with an average of 11 per cent unemployment) have cut their domestic safety nets to attain the Maastricht criteria. Some years ago, I urged that the Commission's policy staff might check their member nations' GDPs for asset accounts to see if infrastructure investments were missing. This might have saved painful budget cuts and the ensuing political unrest and strikes — particularly in France. The introduction of the euro in January 1999 will constrain domestic economic policies [illegible] further exacerbated by the "growth and stability pact".

Likewise, in the current global economic crisis, a great proportion of public debt in Japan, Korea, other Asian countries, as well as in Europe and Latin America could be reduced along with unemployment by such accounting corrections. It must be emphasised that such asset accounts in GDP should also include investments in education, health, child development and in R&D to maintain a society's knowledge base and general quality of life. The World Bank's new Wealth Index, introduced in 1995, moves in the right direction but still has little effect on operations. Instead of making such needed corrections in national accounts, the G-7 called on governments to make their currency reserves, fiscal and monetary policies more transparent via an "international code of conduct". This will be a step forward only if such codes of conduct can be forced on private banks, TNCs and international speculators. Similarly, accounting firms are grappling with "intellectual capital" and "good will" in corporate balance sheets. All these overhauls represent the biggest advance in accounting since the invention of double-entry book-keeping.

Before we can steer our economic policies back towards the common good, quality of life and sound environmental management — we must complete this accounting revolution. The current globalisation of "bubble finance" and the global economic crises it has exacerbated suggests the need for a crash program to correct all countries' GNP/GDP accounts — a prerequisite for all the other reforms of the global financial architecture now so urgently needed. These cannot come soon enough if we are to save safety nets, human and social capital, the Love Economy and the environment from obsolete economics and faulty accounting.

The New Attention Economy We in OECD countries are well into a new era of the "Information Age". We are transiting to the Age of Knowledge, where scarce human time and attention as well as living ecosystems are recognised as more valuable than money. At the same time, we live in "mediocracies" where a few media moguls now control the attention of billions of people — for better or worse — which has changed politics forever. We are already living in the new Attention Economy. Attention deficit is not a disease. We now live in attention deficit societies where each of us is bombarded with information overload from advertisers, media, politicians, teachers, health providers, not to mention junk e-mail. The good news is that this is forcing us to "go inside ourselves" and ask some basic questions: What do I *want* to pay attention to? Who am I and what do I want written on my tombstone? Such basic defensive reactions will define the growing sectors of our Attention Economies and their inexorable shift from material goods (measured by traditional GNP/GDP per capita) to services and more intangible factors in living standards, measured by new scorecards such as my Country Futures Indicators (CFI). As our economies dematerialise, it will be harder to hype wasteful goods-based GDP-growth in the global economy without also measuring toxic wastes, resource depletion, dirtier, shrinking water supplies, polluted air, unsafe streets, drugs, money-laundering, poverty and global epidemics.

In mature OECD countries, the limiting factor is now *time* rather than *money*. There are only 24 hours in each day and already, in the USA for example, the average citizen now spends 9½ hours per day (up from 7½ hours in the 1980s) watching TV, movies, etc or online. If GDPs were re-categorised and recalculated for the USA and similar OECD countries, we would find that these information services sectors are already dominant. For example, mass media and entertainment are a growing percentage of global trade and tourism is the world's largest industry at 10 per cent of global GDP. In response, 28 per cent of US citizens are "down-shifting" — a form of "tuning out" this dominant culture of information overload and the costly mass consumption-oriented value system. They are choosing more free time and less money income and moving to quieter, less expensive, rural towns where life is slower and communities are still intact. Consumers are seeking their own (not advertisers') definitions of "quality-of-life".

These Attention Economy characteristics include concern for more caring, attention-based health services geared to self-knowledge, prevention and wellness, as well as cleaner, "greener" products, eco-labelling (e.g. Germany's Blue Angel and US Green Seal) and the newer "social" seals of approval (e.g. CEP SA8000 labour standards) as well as the rise of socially responsible investing. In addition, there are increasing demands for global corporations to reduce emissions and employ fair labour standards and promulgate codes of conduct (e.g. the Coalition for Environmentally Responsible Economies and McBride principles). The clash is escalating between individual value changes, concern with community and quality of life versus market-driven globalisation of finance and trade. This leads to further domestic political turmoil in OECD countries, as their information-overloaded citizens try to sort out all the issues of globalisation. All this will require facing down global corporations' demands for tax holidays and more deregulation in their location decisions. National governments must soon face up to the new era of corporate mega-mergers which further erode national sovereignty.

Global Standards The UN has reached a crucial phase in its 52-year history, as it wrestles with reform and reinvention for the onrushing 21st century. The funding crisis at the UN, due to the $1.3 billion in US arrears, has spurred the new interest of many UN agencies in forging partnerships with businesses and newly powerful civic society organisations (CSOs, or more familiarly Non-Government Organisations). Such partnerships with business, especially green businesses, should be encouraged.

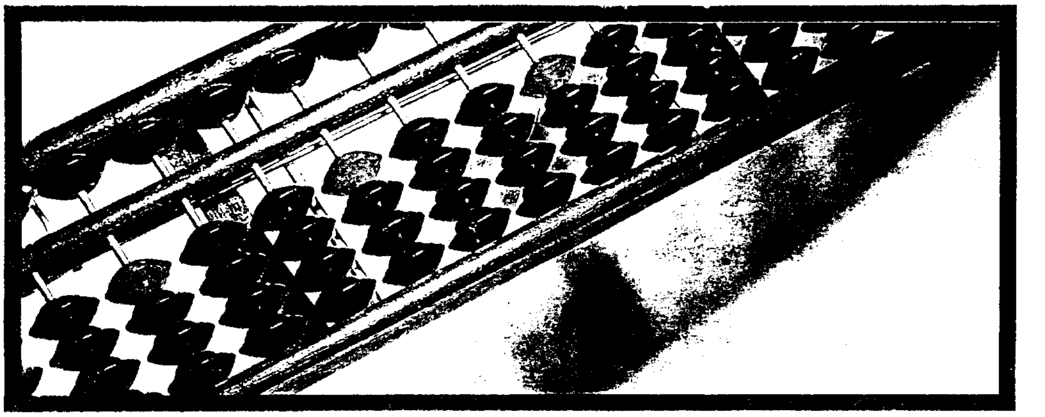
Many of today's issues involve the global commons: air, oceans, biodiversity, the electromagnetic spectrum, low-earth satellite orbits, climate and space — including the newly perceived commons of global cyberspace. Such issues can only be addressed with new cooperative initiatives between all three sectors: governments at all levels, businesses from global to local, and CSOs. Governments oversee the rules and standards regimes; businesses can operate the market-based domains; and CSOs can provide innovations, input and feedback from users.

I have been working with others recently to ensure that UN agencies promulgate their own global standards for partnerships and contracting with private corporations.

UN standards will also do much to dispel the growing suspicions among NGOs and smaller companies that the UN seems to favour the World Business Council on Sustainable Development and other global corporate giants of the Industrial Era. Even as the giants strive for eco-efficiency, their power over governments still allows them to keep their huge, perverse subsidies, which hamper the shift to sustainability. Meanwhile, the smaller, cleaner, greener businesses that have been pioneering uphill in the face of such subsidies feel shut out of the very game of sustainable development that they — with NGOs — have worked so hard for decades to create. It took decades of NGO pressure to get the World Bank to "discover" micro-enterprises and micro-credit. The World Trade Organisation is already in a firestorm of criticism for its high-handed and ignorant rule-making. The UN can do much better. By proactively embracing ethical and socially responsible small- and medium-sized businesses (which are now recognised as the real engines of global job creation), the UN can demonstrate its commitment.

Dealing with today's accelerating destruction of our global commons *requires* the UN as the only international body with the mandate of "We the Peoples" and the broadest membership of all the nations. If it were not there, truly we would have to invent it. This is not to deny that the UN, like most bureaucracies and large corporations, needs restructuring for the future. A problem for the UN is that powerful global corporations have captured the World Bank, the International Monetary Fund and the WTO, originally within the UN's mandate, while succeeding in shutting down agencies they opposed — including the UN Centre on Transnational Corporations — and crippling others likes UNESCO seen as controlled by developing countries and marginalising the International Labour Organisation and the UN Environment Program.

One of the most interesting features of today's globalisation phenomena is this new world game of capturing global standards. The G-7's October 30th proposals for stabilising world markets join civic groups in advocating standards of transparency and accountability for the IMF, banks, corporations in private sectors worldwide. We see this trend clearly in technology and network markets, where market dominance depends on rapid capture of technological standards even if the product or service must initially be under-priced or given away. Economist W Brian Arthur has termed this "technological lock-in", while system theorists refer to the phenomena as the classic effects of positive feedback in non-linear systems. Whether it is Microsoft and Intel's "Wintel" standard, or earlier battles over 19th-century railroad gauges and 20th-century electrical system specifications, we are all familiar with such phenomena in network markets as in, for example, today's internet. Most markets evolve by capturing government standards and regulations first at local levels. As markets thus become structured, companies grow and form trade associations to capture national regulatory and investment standards. Today the game is that of capturing a host of



An accounting revolution is required before economic policies can be steered toward the common good. Picture: Louise Kennerley

Continued Review 8

contents

contributors

Hazel Henderson is an independent futurist, the author of *Building a Win-Win World* and five other books, a consultant on sustainable development and a fellow of the World Business Academy.

Steven Marcus is the George Delacorte Professor in the Humanities at Columbia University.

Irving Wardle is a former theatre critic.

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BREAKING POINTS

From Review 2

newer regional standards (e.g. European Union, NAFTA, MERCOSUR, ASEAN, etc), as well as global standards via the WTO and GATT rule-making, the International Standards Organisation, and those of the United Nations on human rights, labour and the environment.

Institutional investors and corporations continue to broaden their standard-setting activities in partnership with relevant government agencies, civic and consumer groups. They build on the ISO 14000, 14001 and Environmental Management Systems, and eco-labelling and the previous 100 years of such voluntary standard-setting across a range of products from electrical goods to pharmaceuticals. Corporations continue publishing codes of conduct and fostering such global standards and best practices. (See *Business Week* Special Report, October 1995 and October 1996.) The International Organisation of Securities Commissions (IOSCO) has taken the leadership in bringing a greater transparency and order to global securities, currency, and futures markets. The "Big Four" accounting firms and hundreds of new companies are increasing environmental and social auditing of corporate performance. Many institutional investors and portfolio managers have joined with these business leaders and those which have signed on to the CERES principles, the Sullivan and McBride principles, Caux principles, and those of the Minnesota Centre for Corporate Responsibility. Much of this activity in assessing corporate performance owes its impetus to the pioneering work of New York's Council on Economic Priorities and its much-honoured founder, Alice Tepper Marlin, and that of other innovators such as Amy Domini, author of *Socially Responsible Investing* (1987) and the Domini 400 Social Index, which regularly out-performs the Standard and Poor's 500.

We now live in 'mediocracies' where a few media moguls control the attention of billions of people – changing politics forever. Photo illustration: Michele Mossop

Some 90 per cent of global industrial companies lobby to keep and capture standards at current levels while often succeeding in *reducing* their regulatory requirements. The other 10 per cent are the "contrarians" i.e. the mostly smaller, younger, innovative enterprises, investment funds, venture capitalists and investors already positioned in the cleaner "greener" social markets of the 21st century. These firms are also organised, but in less powerful trade associations. They lobby to raise global standards to higher levels of social and environmental accountability. Such trade associations include the US-based Business for Social Responsibility, the Future 500, the Minnesota Centre, which has urged full US payment of UN dues and arrears, the Social Venture Network (USA and Europe), the US- and UK-based Social Investment Forum, the Prince of Wales Business Leaders Forum, the Copenhagen Centre for Social Responsibility, the Business Council for the Social Summit, the Caux Roundtable and others. Newer efforts include the Task Force on Socially Responsible Business of the World Business Council for Sustainable Development. Many such groups promulgate their own more stringent codes of conduct and are willing to be audited by the legions of accounting firms now offering social, environmental and ethical audits. By thus raising the ethical floor under the global playing field these "contrarian" companies can win. Their analyses of their markets are systemic and future-oriented – rather than focused on traditional short-term economics and market returns.

Today, most companies and countries are still steered by the dominant short-termism and the capturing of markets for goods and commodities for export-led growth. These strategies succeed at first, but not every country can win in such a win-lose global game. For example, Korea's *chaebol* did bring jobs and prosperity for many years – providing half the country's jobs and most of its exports. But increasing global market share becomes very costly as Boeing and other US companies have found. Only changing the global economy from a win-lose towards a win-win, cooperative structure can constrain the rules of competition and prevent cutthroat, beggar thy neighbour policies and allow more poor people still in need to participate in a fairer world economy. A new network of global institutions is needed, not only to contain and channel market activities, but to implement the new human and environmental security proposals which have emerged in the action plans of major UN summits, from Rio in 1992 to Istanbul in 1996. As the lessons of unsustainable global GNP growth sink in, we must surely move faster to correct traditional economic textbooks and develop statistics with longer-term and broader indicators of social capital, quality of life, environmental sustainability and human development.

Money isn't scarce Perhaps the biggest paradigm shift involves the new information-based electronic markets from local to global. The implications for both central banks and private banks are vast. If money creation and management as well as money-based transactions and credit availability are not overhauled drastically to serve the new needs of 21st-century consumers, businesses, employees and investors, they will simply go around banks and money-based transacting – to pure information-based transactions (i.e. high-tech barter, local scrip currencies, local exchange trading systems (LETS), counter trade, etc). Banks are busy buying computer and information technology to reimpose scarcity and money-based transactions particularly on e-commerce via e-cash, credit and debit cards, virtual banking, etc. The new competition from money-free, information-based, high-tech exchange will not go away. Banks and money-based exchange systems are very useful, but they now have competition for their basic functions of intermediation – for which the Internet is ideally suited. For example, floor-based "open outcry" stock exchanges are being replaced daily, and seats on the New York stock exchange have lost half their value in 1998.

I have argued that the newest global commons is the internet and the World Wide Web as well as financial cyberspace – all largely unregulated and with a host of issues about their use piling up. For example, the internet's protocol and language codes are still informal and controlled by a handful of early technological innovators and programmers serving as volunteers on ad-hoc standards committees. Worse, while the internet expands access to information, there is no agreement on information *quality* (i.e. relevance to human and ecosystem health and survival) let alone facing the problems of disinformation or moving towards knowledge or greater wisdom. Little legal underpinning exists for the internet, a common resource funded by tax dollars and currently overwhelmed by free riders. I expect to see in the next few years some kind of "International Internet Standards and Oversight Agency" to deal with all of these free rider and commons issues while interfacing with established agencies such as the World Intellectual Property Organisation and the International Communications Union.

As more citizens and businesses move their transactions into cyberspace, what are some key and broader implications? Let's start with electronic commerce. Most companies assume that money-based transactions will monopolise cyberspace through better security, encryption systems, credit card handling, and e-cash systems. However, electronic commerce does not require money-based transactions, but could lead to pure information-based transactions, i.e. high-tech barter. The implications of this are clear: money and information are now equivalent – we are already off the money and gold standard and on the information standard worldwide. Banks thrive on money-based scarcity and, understandably, are trying to control cyberspace transactions. Yet today, billions of dollars of services and goods are bartered each year in the USA by corporations and individuals on PC-based electronic trading networks. The implications for the world's central bankers are clear: if they don't improve their currency issuance and monetary management and control operations through overhauling the Bretton Woods institutions and making credit widely available, not just to their cronies in governments and corporations, then they will be bypassed by pure info-based transactions. Today's state-of-the-art computer-based markets in cyberspace can make such info-based, high-tech bartering efficient with minimal transaction costs. Developing countries will no longer need to earn foreign exchange but can trade all their commodities among themselves – doing three, four, five and six-way trades with the computers keeping the audit-trails to settlement agreements (which is what money is and does while also serving as a store of value). I have spelled out the implications of all this, including the need for three different kinds of currency: 1) a global reserve currency, 2) national currencies and monetary unions of them, where appropriate, and 3) local currencies to clear purely local markets.

Nations will need to regain some of their lost sovereignty in order to maintain their political legitimacy and manage their domestic economies democratically for the benefit of the majority of their citizens. All this will now require international agreements to tax electronic commerce and global mechanisms to protect human citizens, employees and investors as opposed to paper financial institutions. I expect a shift to "safe haven", high-tech barter transactions both locally and globally in order to create full employment and clear local markets. [illegible]al currencies and PC-bas[illegible]ling systems are flourishing in the USA, Canada, Europe, Australia and New Zealand. Today they are needed in Russia. Indeed, I have used them as leading indicators of the incompetence of central banks and macro-economic management authorities in many countries. Let us now look at the taxation issue more closely. At the global level, tax evaders are catered to by increasing numbers of small, island countries and regimes deliberately offering anonymity, dummy corporations, money-laundering and tax havens. Internet-based commerce and intranet-based trading make all of this easier. Conservative financial advisers are telling investors how to move offshore, obtain duplicate passports and dual citizenship, buy small islands, and other manoeuvres to evade taxation. Nation states, now with chronic budget deficits due to tax losses from deregulation, are breaking up; some predict there will be 1,300 countries in a few years.

[illegible]al governments can resist p[illegible]res from global retailers, services chains and mall developers to displace local merchants. These global TNCs still operate as free riders on infrastructures at below-cost energy prices and at the exclusion of many social and environmental costs. This allows them to penetrate local markets with below true cost prices. Then after locals have been put out of business, they can raise prices without their competition. Development banks, local credit unions and micro-credit groups should be favoured over branches of large national and global banks free-riding on the unregulated infostructures of financial cyberspace. These banks, tied into the global casino, accept local deposits and pay cheques but these funds tend to be "vacuumed out" of the local branch each day onto the global electronic funds transfer systems (EFTS), to be lent out worldwide. At average global interest rates, local communities and businesses can no longer afford to borrow back their own deposits for local development purposes. It is also important for local communities to engage in as much barter as necessary, including high-tech exchanges using personal computers, LETS and the many kinds of local scrip currencies now circulating in towns in the USA, Europe and other OECD countries. These tools can complement scarce national currencies where monetary policy is ill-conceived or too restrictive to help clear local markets, employ local people and provide them with alternative local, purchasing power. Indeed, such local currencies in every US state and most cities helped local communities survive during the Great Depression, as documented in *Depression Scrip of the United States*, Mitchell and Shafer (1984).

The continued growth of electronic commerce in today's autonomous global casino will further erode the power of governments while also denying them the tax revenues they formerly received from domestic "bricks and mortar" commerce. On the national and micro-level, the tax issue will involve a fight for equitable tax treatment between these traditional bricks and mortar businesses and those in cyberspace. There are already two kinds of web-based businesses: those which *link and empower* existing bricks and mortar retailers (such as those in the jewellery business linked on the Colorado-based, worldwide POLYGON Network) – and those which *bypass* bricks and mortar, local retailers (such as bookseller, Amazon.com). When the Clinton Administration, prematurely pandering to the "digerati sector" announced that it would not tax transactions on the internet, it heard an instant chorus of complaint from local governments and from bricks and mortar businesses, which might thus be condemned to penury.

> **'Nation states are breaking up; some predict there will be 1,300 countries'**

New Partnerships for Social Innovation Lastly, new partnerships for social innovation are essential. New global systems of political risk management are now possible, to deal with small domestic conflicts and terrorism, centred around strengthening the International Criminal Court. Although the US Government foolishly weakened it, a large majority of US citizens (80 per cent) approve of a strong Criminal Court. Hopefully, its cases can be televised also before the ultimate court of world opinion.

We can safely reduce the world's military budgets – by employing insurance instead of weapons. For example, the Global Commission to Fund the UN has proposed the UN Security Insurance Agency (UNSIA), a public-private-civic partnership between the UN Security Council, the insurance industry and the hundreds of civic, humanitarian organisations worldwide which engage in conflict resolution and peace-building. Any nation wanting to cut its military budget and redeploy its investments into its civilian sectors could apply to UNSIA for a peace-keeping "insurance policy". The insurance industry would supply the political risk assessors and write the policies. The "premiums" would be pooled to fund both properly trained peace-keepers and a rapid-deployment, online network of existing civic, humanitarian organisations "on the ground" to build trust and confidence. The UNSIA proposal is now backed by several Nobel Prize winners, including Dr Oscar Arias. UNSIA was debated in the UN Security Council in April 1996, the first time that body had considered the need to bring civic humanitarian organisations into peace-keeping operations. In May 1996, the Security Council called on the Secretary-General to investigate the feasibility of "a rapid-deployment humanitarian force" and, in October 1996, the Norwegian Government pledged $1 million to this project.

Finally, it is imperative that at least one global TV network be devoted to exchanging information on the many paths to sustainable development. I am delighted that global, multicultural public access TV is now a reality. Here again, Canada has provided global leadership in launching WETV (the WE stands for "We the People" and the "Whole Earth"). WETV, headquartered in Ottawa, is a public-private-civic network with a state-of-the-art multimedia backbone now in 31 countries with programming from NGOs and the grassroots on global and local issues. We are learning that cultural diversity is as important as biodiversity, and both are the bedrock wealth of nations.

As the G-7 October 30th communique shows, old "balance-of-power" politics is transforming into strategies of global cooperation. Companies and countries are shifting slowly from competitive strategies towards partnerships and international agreements. A key criterion for human societies and their relationship with ecosystems is sustainability over the long term – as proposed by the Brundtland Commission in 1987 in *Our Common Future*. This implies equity, not only within and between societies of the present, but inter-generational equity as well – as complex a set of trade-offs as our species has faced, as least consciously. Expanding to a multidisciplinary focus for both domestic and globalisation policies can reveal all the positive-sum, "win-win" games, the new public-private-civic partnerships and new strategies that can help all actors imagine, develop and build towards a win-win world in the next century.

Humans must now acknowledge responsibility for their active roles in the evolution of societies. Today, in a world we have made increasingly interdependent, we are learning the differences between money and wealth and that poverty can and must be eradicated. in a planetary context, we are finding that all our self-interests are identical: morality has simply become pragmatic. ■

* This article is an edited extract from a much longer paper titled Quality of Life: Issues and Questions, given by Hazel Henderson at the International Conference on Globalisation, Employment and Quality of Life – held in Sydney this week and organised by the Toda Institute and the University of Sydney.

Battle to save corner stores

The friendly neighbourhood corner shop succumbed to the more upbeat community store long ago. But now even this is under threat from the three giant supermarket chains. **Fia Cumming** reports.

BACK in the 1950s and 60s, there was a store known only as Mr Osborne's on a corner of Victoria Avenue at Chatswood.

It was a wonderfully cluttered room: flour was measured out of a sack into a paper bag and items such as straw brooms were displayed around the doorway and walls.

The cosy corner store with wooden floors and wholesome smells is virtually extinct, replaced by snappier outlets with electronic cash registers, catering to the demands of modern consumerism.

Now retailers warn that even these community shops are under serious threat unless the Federal Government steps in to protect them. And Peter Reith is about to ride to the rescue.

The Small Business Minister said last week the Government would honour a pre-election promise to set up a parliamentary inquiry into the retail sector.

It will focus on market concentration and especially whether small independent retailers can still compete fairly against the giants, Woolworths and Coles.

It will also look at how small companies are faring overseas, and the way OECD countries have approached the issue, and possible action by the Federal Government.

Like small fish in crowded ponds, corner stores will be eaten up by the ever-growing big fish or will be starved out of existence as their food supply is gobbled up.

Three giant chains – Woolworths, Coles and Franklins – now account for 80 per cent of the retail grocery market. Woolworths has 33pc and Coles 24pc and they continue to expand aggressively.

Their market domination is virtually unparalleled in other countries. In the US, the top three grocery retailers account for only 21pc of the national market, in Britain they have 45pc and in Europe the average is 45pc. In Japan, the top five retailers together control only 17.5pc of the market.

Michael Kovas, owner and manager of Rite-Way in Camperdown, grew up working after school in his parents' corner store, learning the trade. While his own shop is doing all right, as president of the NSW Food Retailers Association of NSW he is desperately worried about other small-shop proprietors.

"It's becoming a lot harder to survive as the years go by," Kovas said. "We have a lot of areas where competition is fierce. The dominance of the big chains makes it so hard to find a good position."

The NSW Food Retailers Association was formed in 1927. But while the State's population has multiplied many times since then, the number of independent retailers has halved. As the smaller shops disappear, so do the jobs. Each shop job lost means 1.7 jobs lost in the community, according to the association.

The big chains employ fewer people per $1 million

> **'In their insatiable search for more market share the supermarket chains are creating havoc in rural and regional Australia'**

turnover than do smaller operators.

In country towns, the impact of the big chains moving in can be devastating on other businesses. The National Association of Retail Grocers of Australia (NARGA), representing about 10,000 small and independent retailers, said Deniliquin, Richmond, Taree and Nowra had become virtual ghost towns as the chains undermined local small businesses.

By setting up in major shopping centres away from the town centre, they have drawn customers away from the traditional shopping strip.

"They are wrecking the social fabric," said NARGA spokesman Alan McKenzie. "In their insatiable search for more market share the chains are creating havoc in rural and regional Australia."

With fewer jobs, and profits sent to the cities instead of staying in the community, the repercussions can spread through a whole community.

Reluctantly, the major political parties are starting to heed the growing concerns about what is happening in the retail sector, regarded by many as the prime example of the flaws in national competition policy.

Last week, a call by Greens senator Dee Margetts for a moratorium on competition policy was supported by unions, academics, professional organisations, retailers, and the Council of Small Business Organisations of Australia.

While the Government and Labor would not support a moratorium at this stage, Margetts is confident of getting even more community support by the time Parliament resumes in February.

In line with retailers' demands, the Government inquiry will be short and sharp, reporting by early June.

But the Government and the ALP, which introduced competition policy, are still resisting Margetts's demand that a broader Senate inquiry into its socio-economic impact, which lapsed due to the election, be revived.

Woolworths and Coles both said yesterday they would make submissions to the inquiry, but would not make any further comment.

While NARGA still wants the moratorium, it is relieved that the inquiry is going ahead and predicts it will be a turning point for competition policy.

"Unless this inquiry produces government action to break down the oligopoly of the three majors, it will be the death knell of the independent grocery sector," McKenzie warned.

Without government intervention, NARGA believes the three big chains will control 85pc of the retail grocery market by 2000.

In 20 years they have doubled their market share, at the expense of independents. In the past 3½ years, they have bought out 80 independent retailers representing almost $1.5 billion in turnover.

"They simply pull out their cheque books," Kovas said. "It's very, very difficult to refuse when you get an offer much greater than your business is worth. If they want a specific area they will take it."

Kovas said Coles and Woolworths were able to get all the best locations because shopping centre developers made special deals to attract them as an "anchor" tenant. Only if they declined the offer would offers be invited from independents.

In some cases the chains have subsidised new stores for several years to draw business away from competitors until they caved in. They are also expanding into new formats such as petrol retailing and medium to small stores with Coles' Express and Woolworths' Metro shops.

The chains are also keen to set up pharmacies, but at present are prevented by law.

"Virtually nothing is off limits, everything is being looked at in terms of further market expansion," McKenzie said.

COLES and Woolworths insist their expansion offers consumers cheaper goods and promotes, rather than undermines, competition. But McKenzie said they were profit-making machines.

"They are there to maximise profits and once you squeeze out competition there is less restriction on local prices," he said.

"We believe the independent sector is out there keeping the big boys honest."

NARGA wants US-style anti-trust laws to limit the market power of the three big chains to 80pc, their current level, reducing to 75pc over five years. It also wants each chain limited to 25pc, a lid that would force Woolworths to shrink considerably.

While such regulation is anathema to economic rationalists, it would follow the precedent of the "four pillars" policy on banking and controls on media.

NARGA argues that the $37.4 billion a year supermarket industry is just as important, given that it deals with the necessities of life and affects every Australian.

Sydney 2000 insight

92 weeks to go

Novel Christmas gift

DON'T know what to give friends and family for Christmas? How about a gift that celebrates the Sydney 2000 Olympic Games?

An Olympic number plate gift voucher is the perfect solution to your Christmas present dilemma. There are new Sydney 2000 Olympic number plates and personalised plates to buy, or current plates can be remade in the Sydney 2000 style.

Buying a gift voucher is as simple as dropping in to your local motor registry, or calling the RTA's Customer Service Centre on 13 22 13 and quoting your credit card number. Alternatively, visit the RTA store on Level 1, Skygarden, Castlereagh Street, in Sydney.

Holden goes green

THOUSANDS of Australian native trees and shrubs will soon brighten the M4 Western Freeway thanks to Holden's $50,000 donation in support of a Greener Sydney 2000.

The sponsorship, which coincides with Holden's 50th anniversary, will pay for 4,700 native trees and shrubs to be planted along the M4.

The highly successful Greener Sydney 2000 program has been undertaken to green urban grey spots, with the support of the NSW Government, local councils, the community and corporate sponsors.

Wheelies big Oz Day

WHILE most of us will be cracking open a bottle of bubbly or firing up the barbecue on Australia Day 1999, spare a thought for the dedicated athletes participating in the Oz Day 10K event in Sydney.

Wheelchair racers will gather at The Rocks on January 26 to compete in the 10th annual Oz Day 10K, a 10-kilometre race around the city streets.

To celebrate the 10th anniversary of the event, 1984 Paralympian and Paralympic Games Board member, Peter Trotter, will take part in the race, having competed in the first Oz Day 10K in 1990. He is one of about 70 athletes from 13 countries heading to Sydney for the Oz Day 10K.

Athletes with attitude

SPORTS achievers as diverse as national rugby union captain John Eales, motor racing champion Peter Brock and Olympic gold medal-winning athlete Herb Elliott are helping to prepare Australian athletes for success at the Sydney 2000 Olympic Games.

Eales, Brock and Elliott will join Olympic gold medallists, such as John Devitt (swimming), Liane Tooth (women's hockey) and Russell Mark (shooting), at a series of Olympic Attitude Seminars conducted by the Australian Olympic Committee (AOC) from now until April 1999.

SYDNEY 2000 GAMES INFORMATION SERVICE. PHONE: 13 6363

www.sydney.olympic.org

Official information from the Sydney Organising Committee for the Olympic Games