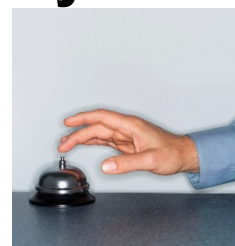


The service-based economy – what it is and how it could save the world



Global financial meltdown

All round the world, governments are pouring money into banks and businesses to get people spending again to keep spinning the money merry-go-round. At the same time, people are losing their jobs or worrying about job security, and spending less. So companies still can't sell their products, and the downward economic spiral continues.

Economists have been hoping that China's economy, which grew by 13% in 2007, could save us all, even as its growth shrinks to a mere 6.8% in the last quarter of 2008. But much of China's growth came from producing goods for western consumers – who aren't buying any more. Some observers like William Pesek say that just as the US needs to become a nation of savers, China needs more consumers.

Others like Lester Brown say this can't happen – if, by 2031, each of the projected 1.45 billion people in China consumed resources at the same rate as the average American, its oil demand alone would be 99 million barrels a day – well above the 2006 world production of 85.24 million barrels a day. Even if more reserves are found, it's unlikely there would be enough for all of us!

Results are similar for other vital resources like water, grain, paper and metals: as Jared Diamond says, if India as well as China were to catch up, world consumption rates would triple. If the whole developing world were suddenly to catch up, world rates would increase elevenfold – equivalent to a world of 72 billion, while as at March 2009, we have about 6.76 billion. Diamond says, 'Some optimists claim that we could support a world with nine billion people. But I haven't met anyone crazy enough to claim that we could support 72 billion.'

Global *ecological* meltdown

While we all know that millions of people desperately need a better standard of living, we also know that essential resources like fisheries, forests, clean water, soil and minerals are under pressure from the sustained demand of the last 100 years and the mounting volumes of waste we release into our air, water and soil.

The understandable belief that people in developing countries can enjoy a first-world lifestyle is, as Diamond says, 'a cruel hoax: we are having difficulty supporting a first-world lifestyle even now for only one billion people.'

Planetary scientist James Lovelock believes the adverse effects of climate change will affect soils, soil organisms, plants and human food supplies so badly that we could face a cull of the human population during this century of up to 90%. But he sees this as part of evolution – we've been through population bottlenecks before, and 'For the first time in its 3.5 billion years of existence, the planet has an intelligent, communicating species that can consider the whole system and even do things about it. They are not yet bright enough, they still have to evolve some way, but they could become a very positive contributor to planetary welfare.'

So how do we get past the economic bottleneck that traps us in unsustainable consumption?



Clare Feeney is a sustainability strategist who helps organisations of all types grow their sustainability capability. She can help you grow jobs, increase profits and improve the environment – and have fun along the way! You can find out more at www.clarefeeney.com and contact her at clare@clarefeeney.com.

Richer – and more miserable

The World Health Organization flags depression as the next big health crisis. The year 2000 saw 50 books published on happiness – in 2008, there were over 4,000 – this in the year that western consumerism peaked. These and other statistics tell us that we in the West are not getting any happier, despite our consumption being tens of times higher than that of people in the developing world.

A drop in consumption would free up more resources for use by the world's desperately poor people and make us happier – according to many observers without causing a drop in living standards and other indicators of wellbeing. But what would this do to our economy? If we are all earning money by making and selling each other things we don't really want or need, it won't do anyone any good if we shut up shop and put ourselves out of a job.

We need a new way of working we can adopt now that can compete in the local and global economy without trashing people and the planet's resources.

It's called the service-based economy, and it's already here.

Making the transition: a service-based economy

Ray Anderson moved Interface Carpets from a product-based to a service-based model as you can see from <http://www.interfaceglobal.com/sustainability> and <http://missionzero.org/>, as well as YouTube. Other organizations have done it too – what is it and how does it work?

Consider your office photocopier. Your company may own it, but chances are you lease it. You pay a service fee and the supplier keeps it going for you. What does this mean for the supplier when he continues to own the product? In the purchase model, if he can sell it to you and walk away, he will want to charge the highest price he can and sell you a better model as soon as possible. Result: built-in obsolescence that puts valued resources into landfills – at the expense of the purchaser because there is no market signal to the supplier to reduce this cost.

What happens in the service model? The supplier won't make a big cash sale, so it is in his financial interest to minimize resource inputs when making the product. But customers will be unhappy and he will lose too much money on maintenance if it keeps breaking down. So now it is very much in his interest to design the copier for ease of maintenance so it costs him less – and because he doesn't want to pay for the disposal of the old parts, he will also want to minimize costs by designing the products to minimize wear and so the used pieces can be re-tooled for re-use or recycling. And this is just what you see when you visit the sites of the major copier companies and study their environmental initiatives – it makes business sense.

This model works for vehicle fleets as well as Ray Anderson's carpets and office copiers. Could it work for household and other products like elevators or refrigerators? The mental switch is to consider what we really want from these things – for example, mostly what we want from owning our refrigerator is cold food and drink – but as Paul Weaver from the Matisse project points out, we don't have to own the refrigerator to obtain that. And in a well-planned home or apartment complex, we could also use the waste heat to preheat water or space heating systems. Over all we would find, says Paul, that the service model has the potential to create not only more jobs, but more meaningful jobs – a better quality of life for the developed world and more resources available for the developing world.

Find out more

James Lovelock, 2009. We're doomed, but it's not all bad. New Scientist, 24 January 2009.

Jared Diamond, 2008. What's Your Consumption Factor? New York Times, January 2, 2008.

<http://www.nytimes.com/2008/01/02/opinion/02diamond.html>.

Lester Brown Worldwatch Institute <http://www.worldwatch.org/>.

Matisse Project <http://www.matisse-project.net/projectcomm/>.



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