

Upside down world – Part 3/3

In the future, exploitative production must be more expensive than fair production!

Lisa Muhr, blog post, 2nd December 2020, <https://www.lisa-muhr.at/media/>



In our last blog post, we showed you what we mean by the **CODE OF PRODUCT** and how it could work at product level. Today we are looking at the additional measures needed to make fair products cheaper than unfair ones one day. So, again for a short repetition and then we continue on our mental journey:

1st level of action: CODE OF PRODUCT at product level

- ALL products that may be traded and sold on our European market must demonstrably comply with minimum ecological and social standards, as stipulated in the **CODE OF PRODUCT** - regardless of which product group or industry they belong to and regardless of where they were produced (Europe , Asia, America, Africa etc.).
- ALL products on the European market have a significantly better ecological balance in terms of climate targets as well as a significantly better social balance in terms of human rights (for people in production).
- The efforts of the EU to achieve the 1.5 degree climate target would get a lot of momentum because the European Union could suddenly increase its level of action and expand it worldwide through the **CODE OF PRODUCT** – regardless of which laws prevail in the respective production countries: everyone would have to Produce that produce for Europe work on the basis of these minimum standards.
- This means that there is no longer any basis for social and ecological exploitation. The corporate responsibility demanded by NGOs (non-governmental organizations) for a long time thus applies automatically/mandatory to everyone

who wants to offer their products on the European market - regardless of what laws prevail in the countries of the South (The justification of many corporations for their exploitatively manufactured junk products is Yes, again and again: "We comply with all the laws of the country in which we produce." - see our blog post on the topic "Why minimum wages in the south are not enough to live on")

- The European production location would be strengthened because all products on the European market would have to meet the same conditions. This would at least reduce or put into perspective the large differences in production costs between goods produced in Europe and goods produced outside Europe (above all in Asia, Africa and South America). The only reason the difference is so big at the moment is that cheap productions under catastrophic conditions are even allowed to take place in the south.

So these would be the effects of a **CODE OF PRODUCT** at the product level. However, measures at the product level alone will not be enough to achieve the major goal that fairly manufactured products can one day become cheaper than unfairly manufactured ones. This requires some additional measures:

2nd level of action: pricing in the "true costs"

A mandatory survey and presentation of the **"true costs"** that production causes on a social and ecological level along the entire production chain would be another important step. If companies had to take responsibility for these costs and price them in, the price structure would be completely reversed in one fell swoop: cheap, exploitatively manufactured products that cause follow-up costs for all of us by causing damage to our environment or to the workers in production or to us dishing up to consumers would suddenly be more expensive than fairly manufactured products. The calculation would then be: The fairer a product is manufactured, the cheaper it can be offered on the market. Why? If companies had to finance the **"true costs"** themselves, which up to now they can easily outsource to society, they would have to calculate these in the offer price. This would make it more economical for them to produce as fairly as possible. Since companies strive to make a profit, the new imperative of the "good businessman" would be to produce as fairly as possible. That would completely change the entrepreneurial thinking and the quality of our products.

A procedure would have to be developed for the collection and presentation of the **"true costs"** that can record, evaluate and monetize all components, processes and influencing factors on a social and ecological level along the entire production chain or along the entire product life cycle. This includes not only product manufacture including transport, but also the "pre-production" process (how are resources/raw materials obtained/manufactured, design process, etc.), the sales and use process (durability, reparability, care/maintenance costs), as well as the "After Use" process (feedback of raw materials into the cycle, reuse/processing, zero waste or waste minimization). There are initial ideas of being able to map this complex, globally interwoven process using block chain technology. The ecological footprint or all lifecycle assessment models could be integrated into the process.

With the **CODE OF PRODUCT** and the pricing of the **"true costs"** we are a big step further, but not yet at the end of our journey of thought. Because after these two steps we are in the following situation: Products manufactured in an exploitative manner would no longer be cheaper, but more expensive than fairly manufactured products (fair production costs money and these costs are reflected in today's sales price). A lot of

people couldn't afford that. Our goal must therefore be that the prices for fairly manufactured products actually drop in the future. In the future, "organic and fair" will no longer be reserved for the higher-income classes, but will be affordable for everyone and will finally reach the masses. In the future, it will be the lower-income classes in particular who will say: "I can only afford organic and fair products." In order to achieve this major goal, a final step is now required:

3rd level of action: Balance sheet for the common good, redistribution and economic advantages of fair business models

Fair productions/services require more effort and higher costs, otherwise they would not be fair. This economic disadvantage for the benefit of the environment and society must be eliminated. In the face of the climate crisis, it is urgently necessary to completely reassess the entrepreneurial and economic success of both companies and states. Praise, laurels and sustainability awards are not enough. Monetary compensation is needed to compensate for the economic disadvantage of the additional expense, otherwise sustainability will never become part of the core business of all sectors.

In the future, companies should therefore not only draw up the financial balance sheet, but also a **common good balance sheet**, which should have greater significance than the pure financial balance sheet.

	Menschenwürde	Solidarität und Gerechtigkeit	Ökologische Nachhaltigkeit	Transparenz und Mitentscheidung
Lieferant*innen	Menschenwürde in der Zulieferkette A1	Solidarität und Gerechtigkeit in der Zulieferkette A2	Ökologische Nachhaltigkeit in der Zulieferkette A3	Transparenz und Mitentscheidung in der Zulieferkette A4
Eigentümer*innen und Finanzpartner*innen	Ethische Haltung im Umgang mit Geldmitteln B1	Soziale Haltung im Umgang mit Geldmitteln B2	Sozialökologische Investitionen und Mittelverwendung B3	Eigentum und Mitentscheidung B4
Mitarbeitende	Menschenwürde am Arbeitsplatz C1	Ausgestaltung der Arbeitsverträge C2	Förderung des ökologischen Verhaltens der Mitarbeitenden C3	Innerbetriebliche Transparenz und Mitentscheidung C4
Kund*innen und Mitunternehmer	Ethische Kund*innenbeziehungen D1	Kooperation und Solidarität mit Mitunternehmern D2	Ökologische Auswirkung durch Nutzung und Entsorgung von Produkten und Dienstleistungen D3	Mitwirkung der Kund*innen und Produkttransparenz D4
Gesellschaftliches Umfeld	Sinn und gesellschaftliche Wirkung der Produkte und Dienstleistungen E1	Beitrag zum Gemeinwesen E2	Reduktion ökologischer Auswirkungen E3	Transparenz und gesellschaftliche Mitentscheidung E4

In the picture: The matrix of the common good balance and the convergence with the SGD's, the 17 goals for sustainable development of the UN - Source: <https://web.ecogood.org/de/menu-header/blog/die-sustainable-development-goals-und-das-gemeinwohl/>

The result of the **balance sheet for the common good** is included in the company valuation (creditworthiness) and enables access to certain financial advantages. The fairer a company acts, the better the result of its **balance sheet for the common good** and the more financial advantages there are for compensating for this additional effort. The incentive system for sustainable, fair business could include the following topics:

- a tax system that promotes the circular economy (take, make, use, reuse, recycle, repair, reduce, refurbish) and fair production (fair trade, organic, transparency in all parts of the value chain, social and ecological minimum standards) and linear throwaway production (take, make, waste) or economies at the expense of the environment or people in the productions,
- a new funding landscape in which sustainable, fair business is a basic requirement for eligibility for funding, better assumption of liability for funding programs for loans for sustainable investments/projects,

- new financing models for sustainable companies such as cheaper loans, longer terms, better interest rates, new models in the green investment area, etc.,
- a tax system that promotes fair business models, which could be wage tax, but also other taxes such as municipal taxes (municipal taxes, garbage fees, etc.) or rent subsidies for business premises, etc. happen,
- the preference for eco-fair products in public procurement according to the best bidder principle instead of the cheapest bidder principle
- a redistribution from the pot of "true costs" (= taxes that companies would have to calculate and pay as "true costs"), depending on the result of the **balance sheet for the common good**. This redistribution could directly affect the VAT rate, corporation tax, customs duties, etc. impact and are therefore a key approach to lowering the prices of fair products/services.

In addition to the **CODE OF PRODUCT**, the mandatory preparation of a **balance sheet for the common good** is so important because there must be a uniform basis for comparison for all sectors and companies along the entire stakeholder landscape so that the financial benefits can be granted.

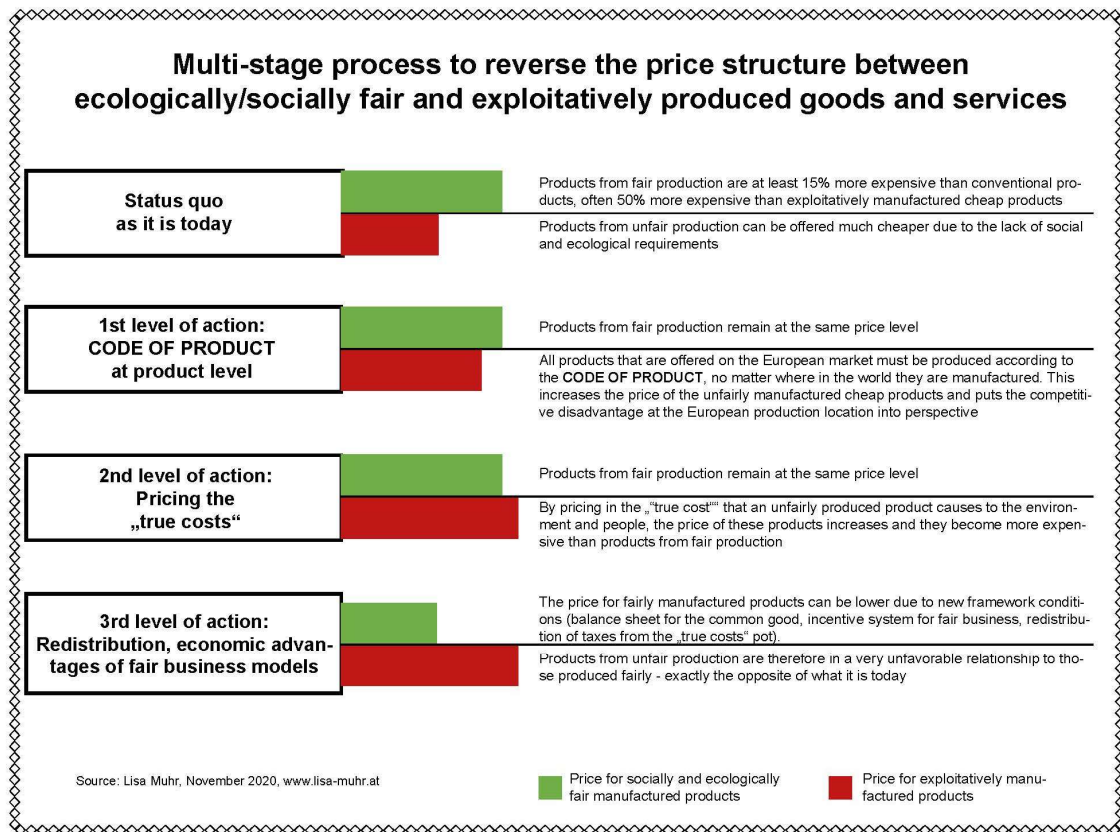
For anyone who would like to read more about the topic of the economy for the common good: Below is an article that I was allowed to write for the publication "Solidarity Now – For Which World?" for Sekem Austria in November 2020 with the title "Economy for the Common Good post Corona – the end of structural irresponsibility" – sorry for the german language:

https://cdn.shopify.com/s/files/1/0413/0367/0933/files/Sekem_Publikation_Beitrag_LM.pdf?v=1606903853



What is still important at this point: the integration of social and ecological factors for the evaluation and promotion of a fair, sustainable economy must not only take place at product and company level in the future, but also requires a new form of state prosperity measurement. The GDP (gross domestic product) is no longer meaningful in this context. It measures solely the monetary value of all of a country's end-produced goods and services within a year, regardless of which goods are involved. Accordingly, weapons production, natural disasters and other negative influencing factors also contribute to the increase in GDP. That has nothing to do with sustainability, fairness and a future fit for grandchildren. A new indicator of prosperity is needed for countries beyond GDP that also integrates social and ecological indicators. There are already numerous proposals and models for this.

We have now come to the end of our "Upside Down World" journey of thought. In three steps we have approached a "new world" that would make our lives fairer and more sustainable. Here it is again in a graphic:



A world where fairly manufactured products are cheaper than they are today.

A world where exploitatively manufactured products, by contrast, are more expensive.

A world in which everyone, especially those from low-income groups, say: "I can/want to afford organic and fair products now."

What do you think? Can such a world become possible?

I look forward to your thoughts.



Your

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