



THE ECONOMIST

Hazel Henderson has developed a theory of value that focuses on altruism. The economist, futurist and author tells Lawrie Holmes about her work to raise awareness of “the love economy”

PAYMENTS IN KINDNESS

In 1967 New York senator Robert Kennedy took a helicopter ride that would have a profound effect on him. He'd been persuaded to do so by Hazel Henderson, the chair of an environmental action group called Citizens for Clean Air, who had arranged the flight to show him the main source of New York City's poor air quality.

Circling high above the sprawling metropolis, he soon realised where most of the pollution was coming from: the garbage incinerators that were burning vast amounts of refuse from the city each day.

“Kennedy thanked us, having totally got the point after seeing the smoke stacks,” recalls Henderson, 83.

The following year, one of Kennedy's first public speeches as the Democratic Party's new presidential candidate questioned the validity of GDP as the key measure of a nation's value. It was clear from its subject matter that he had assimilated much of Henderson's worldview about what was truly important to the quality of human life. The speech revealed her ability to challenge received economic wisdom in order to achieve positive change. Her very human

approach to the subject would develop into a treatise arguing that value is based on the huge amount of unpaid work that people do out of love and community spirit.

An Englishwoman by birth, Henderson grew up in Bristol, where she left school at the age of 16. After working in a clothes shop and then a hotel, she emigrated to the US, gaining citizenship in 1961. She formed Citizens for Clean Air with a group of women whose children frequented the same play area in New York. After noticing that her daughter was coming home stained with soot and that she herself was suffering

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from a persistent cough, Henderson began to investigate the cause. Despite initially being fobbed off by city officials, she found that they recorded daily measurements of particulate levels in the air, which she then asked TV networks to include in weather reports. Three months later they, and the local radio stations and newspapers, were covering the New York air pollution index.

That early success in challenging the system encouraged her to question the fundamentals of traditional economics – a subject that she studied without the aid of any formal university tuition. She says she “quickly realised that the value system of scale and speed underpinning the industrialised world was unsustainable”.

The quality of human life depends on acts of co-operation and the work of volunteers and community groups, which should be accorded value, according to Henderson. All of the things that people do simply out of caring she describes as “the love economy. In my experience this was about the vast amount of time that people spent looking after children, serving on school boards and undertaking community projects. I was wondering how to account for all this unpaid work that’s missing from GDP. I started writing about this in the 1970s.”

To explain her theory, she used a layer cake as a metaphor. “It was a visual that I came up with after thinking it would be how my daughter, who was 11 at the time, might understand it,” Henderson recalls. “The icing is the private sector. This rests on top of the public sector, which is all the tax-supported activities we need in order to keep the air and water clean, and fund things such as public transport, education and defence. That’s where the economic model stops, because those two top layers are conducted in cash, so the economists notice these and add them up to produce the GDP figure. But there are two further

layers underneath that support the official cash-measured economy. The next layer down is the love economy, the 50 per cent of all activities that support the economy without payment. And, of course, it all rests on Mother Nature’s productivity.”

As her research progressed, Henderson came to dispute more and more of the core assumptions of modern economics, including growth measures that include activities that harm the environment or damage people’s health. Although she attracted public ridicule from some of the leading economic commentators of the day, her persistence paid off: in 1974 Henderson was appointed to the advisory council to the US Congress Office of Technology Assessment, which she served on for six years. She has since advised more than 30 governments on economic policy. In 1995 the UN estimated the global annual value created by the love economy as \$16trn.

One of Henderson’s most important contributions to US society has been the promotion of responsible investment through her long association with the Calvert Social Investment Fund, which in 1982 became the first US mutual fund to boycott any business with links to South Africa’s apartheid regime. This collaboration gave rise to the Calvert-Henderson Quality of Life Indicators in 2000, which provide an alternative economic measure to GDP.

Henderson also helped to steer Beyond GDP, an EU-backed initiative, in 2007. “Indicators such as GDP were never designed to be comprehensive measures of prosperity and wellbeing. We need adequate indicators



to address global challenges of the 21st century, such as poverty, climate change and resource depletion,” she says. “GDP still obscures important aspects of national progress: education, health, the state of infrastructure and the environment.”

Unpriced “externalities”, such as pollution, get passed on to taxpayers and future generations. Such false accounting is then reflected in GDP, Henderson argues. “It has taken 30 years to make the needed corrections to GDP, because it is defended by economists, business leaders, politicians, powerful ministries and even statistical agencies in most countries. GDP perpetuates false prices from externalising costs to society, such as the BP oil-well blowout in the Gulf of Mexico,” she says, referring to the 2010 Deepwater Horizon explosion.

Several bodies have since produced indices taking account of externalities and the layer of unpaid work that GDP ignores. These include the UN’s “Human development index”, Canada’s “Index of wellbeing” and the OECD’s “Better life index”.

In 2004 Henderson set up a firm called Ethical Markets Media as a platform for addressing key questions about the future of the global economy and the environment. “I felt that I’d better start my own media company because the mainstream media were avoiding important developments, such as renewable energy, socially responsible investment, environmentally friendly technology, good corporate citizenship and sustainable development,” she explains.

Henderson also created Ethical Markets TV to showcase socially responsible enterprises. Practising what she preaches, she sought out highly efficient video-streaming technology. This has since been followed by a series of innovations, including the Green Transition Scoreboard (GTS).

“Since 2007 our GTS has tracked individual and private investments in creating

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WINDS OF CHANGE: PERSUADING A COUNTRY TO CLEAN UP ITS ACT

Hazel Henderson’s determined efforts to raise awareness about atmospheric pollution in New York City are widely considered to have been the catalyst for the first US federal law designed to control air quality on a national level. In the early 1960s she persuaded her fellow citizens to form a pressure group with the aim of tackling the city’s serious pollution problem – and the enactment of the Clean Air Act 1963 marked the first major piece of environmental legislation to include “a provision for citizen suits in the US”.

In 1967 Robert Kennedy, one of the state’s senators, wrote to thank Henderson for organising his fact-finding helicopter tour of the city and for helping to push the issue higher up the political agenda. The legislation was strengthened a number of times over the ensuing decades, with major amendments requiring regulatory controls for air pollution being passed in 1970, 1977 and 1990.



cleaner, greener economies globally,” she says. “If we continue to invest at least \$1trn a year, we will be leaving the fossil-fuel industrial era and entering the solar age. This green transition is happening.”

With this in mind, she welcomes the development of a number of metrics, such as those by the International Integrated Reporting Council; new auditing standards from the Global Reporting Initiative and the Sustainability Accounting Standards Board; and the Global Management Accounting Principles designed by CIMA and the AICPA.

This infrastructure should aid the transition away from economic theories and misleading terms, such as externalities, according to Henderson. “This terminology is now revealed as an accounting strategy used by companies to ignore the social and environmental costs that they impose on others,” she says. “A recent study commissioned by the UN found that, if these costs had been internalised and properly accounted for on corporate balance sheets, they’d have totalled \$7.3trn worldwide.”

This may be uncomfortable reading for some. Henderson’s willingness to challenge the orthodox approach to economics – which, she argues, deliberately masks how the environment and society are continually violated – will inevitably attract criticism. But she has never faltered from taking her controversial message to the world, despite some opponents’ efforts to stifle it.

The bond of understanding formed by Henderson and Kennedy was short-lived: barely three months after making his speech on value, he fell victim – just as his brother John had in 1963 – to an assassin’s bullet. Over the five decades since that tragic act of hate, Henderson has based her work on one powerful idea: that value can best be understood if you recognise that a very large proportion of human activity is actually motivated by love. ■