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**Market Solutions for
Social and
Environmental
Problems**

Social Policy Bonds

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Introduction

There's no shortage of cash for projects that, in civilisational terms, are trivial: \$680 million to develop a five-blade razor from a three-blade razor¹ for instance; and there's no lack of human ingenuity when one company alone manufactures and markets 61 brands of dogfood.² It often seems as though there are more resources of all kinds lavished on the launch of new laundry products or sorting out the tax affairs of wealthy binational couples than there is spent on avoiding war or eradicating global poverty. Could this have something to do with the much bigger financial incentives on offer to the people who market soap powder or perform shifty-but-legal accountancy manoeuvres? This book will try to show that the answer is 'yes'; and that it's in our long-term interest to redirect some scarce resources into achieving social and environmental goals.

It will describe a new financial instrument, Social Policy Bonds, whose purposes are to make the achievement of social and environmental goals more efficient, to make the goals themselves more stable over time, and to make them more transparent and so bring in greater public participation and buy-in. The bonds would do this by injecting the market's incentives and information-generating power into all processes necessary to achieve our goals. They could be issued and backed by anyone: supranational bodies such as the United Nations or the World Bank, national or local governments, non-governmental organizations, wealthy philanthropists, or groups of concerned individuals. These bodies could issue Social Policy Bonds in pursuit of a similarly wide range of goals: anything from global peace, or the prevention of climate change, to reduced national crime rates or cleaner, tidier cities.

How much scope is there, really, for improved efficiency and effectiveness in the solution of our social and environmental problems? Our problems are clear: some of the most obvious include violent political conflict between and within states; fears of nuclear conflagration; poverty amidst plenty in the rich countries; chronic morbidity and malnutrition in much of the third world; the effects of natural disasters; and the risks of environmental catastrophes such as those arising from climate change. But the existence of these problems is not in itself proof that we are solving them inefficiently. Are we perhaps just lacking the required resources? So the first chapter attempts to show that the agents with whom, in the industrialised world, we entrust the biggest share of our problem-solving resources are inefficient and create problems for their own citizens, for other countries, and for the global commons: these are the national governments of the rich countries. The second chapter looks at some of the causes and consequences of government inefficiency. In the third chapter, I introduce Social Policy Bonds: a new financial instrument designed to channel the market's efficiencies and incentives into the achievement of social and environmental goals. The fourth, fifth and sixth chapters look at some of the practical aspects of the bonds and compare them with current policies, including those that have some market component. The seventh chapter shows how concerned groups or philanthropists could issue their own Social Policy Bonds, with the aim of raising female literacy in a developing country. The eighth chapter discusses how the bonds would work politically, and the final chapter looks in more detail at which goals should be targeted under a Social Policy Bond regime.

¹ *Gillette's Five-Blade Wonder*, William C. Symonds, 'Business Week', 15 September 2005.

² *Pet food and pseudo-variety*, Steve Hannaford, <http://www.oligopolywatch.com/2007/03/19.html>, 19 March 2008, sighted 6 April 2008. The company is Menu Foods.

