It's the *Core Economy* stupid:
An Open Letter to the Non-Profit Community©

Emblazoned on the wall of Clinton's 1990 campaign war room was the mantra: "It's the economy stupid." But for beleaguered non-profits and NGO's, here and around the world, that in-your-face reminder is only half the message. The wake-up call needs to add one key word: "It's the ***Core*** Economy Stupid." Understanding why that supplies the missing link is the key to the turn-around we need in priorities, in outcomes and in political climate.

In the United States and in both post-industrial and developing nations, there is an invisible economy under girding all economic and social development. Regardless of whether GDP grows, or as the markets pulse, that economy is perpetually under assault in the richest and poorest economies. It's the "Core Economy."[1]

WHAT IS THE CORE ECONOMY?

The Core Economy is not Wall Street or Main Street; it is the economy of family, neighborhood, kith and kin. Recently more and more economists acknowledge that something like 40-50% of productive economic activity takes place outside of the market and is not measured by traditional indicators. But even those percentages do not begin to convey either the scale or significance of an economic system that is pervasively ignored. Futurist Alvin Toffler captured the implications of what economists overlook with a question he puts to CEO's of Fortune 500 companies: "How productive do you think your work force would be if it was not toilet trained?" That's a useful if disconcerting starting point for re-assessing what we value and measure as "productive labor."

A physician at a nationally renowned medical school puts this question to first year medical students:
What group of people do you think delivers the most medical care and treatment in this country?" Doctors? No. Nurses? No. Allied health professionals? No. The correct answer is "mothers." Just compute the number of days school children are sick; then add infant care, preventive medicine, and chronic conditions, and a different profile of health care practitioners emerges.

Who teaches children to walk? To talk? To obey the rules? To tell the truth? To avoid harming themselves? To avoid harming others? Who produces a workforce that gets up in the morning, gets places on time, and knows it is wrong to steal and lie? Mothers, fathers, grandparents, families and those institutions that impart moral values.

Who keeps neighborhoods safe, keeps violence down? A $51 million study extending over ten years by renowned researchers from Harvard, Columbia and the University of Michigan finally pinned down the critical factor. They called it "collective efficacy" – which when translated into language we all understand turns out to mean: neighbors stopping kids from painting graffiti, having fights, hanging out on street corners. It is an invisible local culture that boils down to looking after each others' kids.

When an economist undertook to quantify the replacement value of just one function of this Core Economy, he found that the unpaid work done by family, friends, neighbors and kinfolk to keep seniors out of nursing homes totaled $196 billion in 1997. By 2000, when he updated his computation, it had risen to $257 billion. The value of just the informal care giving portion of the labor produced by the Core Economy was six times greater than the money spent in the market economy to purchase formal home health care services for the elderly; it is over twice what the federal government spends on nursing home

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[1] The term comes from renowned economist, Neva Goodwin, who felt it important to break out that portion of what is frequently called the "non-market" economy with a positive name connoting its true root significance.

care. Consider the monetary implications of even a small drop in the productivity of the Core Economy if we were obliged to buy those services at market prices with increased private insurance or increased taxes for Medicare and Medicaid.

In recent decades, highly respected economists have undertaken to include the value of unpaid household labor that does not get included in the GDP or other standard economic measures of productivity. Rigorous estimates of the value of household labor have ranged from one-quarter to one-third of the GDP.[2]

Feminine economists have tended to focus on Caring Labor as an essential component of productive labor missing from official economic indicators. But there are at other kinds of labor that are equally essential and equally absent: Civic Labor, Social Justice Labor, and Environmental Labor. And then there is another kind of labor that goes into Knowledge Acquisition that might be called Learning Labor.

Interesting theoretically. But so what? Who cares? And what difference does it make?

Rebuilding the Core Economy means that non-profits will have to partner in a new way with the very communities they serve. Clients will have to be viewed through a lens that defines them as assets with untapped capacity; client contribution will have to be honored and rewarded as work; services provided will have to become catalytic interventions that enable clients to give back by helping others; and individual clients will have to become part of the "village" in ways that transcend traditional agency-client boundaries. That's what it will take to rebuild a Core Economy depleted by disinvestment and loss of its most energetic, upwardly mobile human resources.

Consider this: the Core Economy is under assault - partly from material values that erode basic moral values – and partly from progress that has removed the hidden subsidy supplied by the subordination of women, the economic dependency of the elderly, and the exploitation of ethnic minorities, immigrants and children. How does that labor get replaced as we embrace equality and opportunity and independent living? How do the critical functions of the Core Economy get discharged? It is the failure to properly understand the significance of the Core Economy and the labor it takes to for it to function and to regain vitality that lies at the heart of the crisis facing the non-profit world.

When the Core Economy is either undervalued or overlooked, the problems that come from its erosion are dumped on the non-profit world. And somehow, the non-profit world is then blamed if it can't fix those problems with whatever crumbs are left on the table by the "truly productive" members of society: those who are busy making money and whose activities are officially recognized and measured by monetary transactions.

The prevailing discussion of economy misses this point. Now, increasingly, non-profits are being told they must learn to launch businesses and create money-making social ventures. A social venture seems to mean anything that makes money for a non-profit and does not peddle something that is morally or environmentally repugnant. As a result, non-profits are trying to compete in a world where they are amateurs. Priorities shift to proving they can launch a break-even business – and the more they equate

[2] In the 1981, the value of the economic production by households was estimated by Robert Eisner and his colleagues at Northwestern to total $1,709 billion. That amounted to 37.5 percent of the "extended GNP" of $4,560 billion. In 1998, Redefining Progress, a nonprofit organization based in San Francisco, pegged the value of household work in 1998 at a total of $1.911 trillion – about one quarter the size of the U.S. gross domestic product (GDP) that year.

their organization's credibility to funders with their entrepreneurial zeal, the more all their creative juices and energy get diverted into competing in an arena where they are least competent.

The message that non-profits need to get is: "It's the Core Economy and that's *not* stupid." That's the economy they need to rebuild; that's the economy they need to partner with. That's the economy which, if healthy, will dictate priorities to funders that translate into quality of life gains and real learning about reducing externalities.

Rebuilding the Core Economy is going to involve a real shift in how non-profits think and act. We believe it is going to take a different kind of currency – because exclusive reliance on money imposes unnecessary limits on what is possible now.

Markets driven by monetary exchanges cannot put supply and demand together to rebuild the Core Economy because of the way that market price defines value. If quantity is scarce compared to demand, then market value is high. The opposite applies: if supply is abundant, then value goes down. We say something is dirt cheap or worthless if it is abundant.

That definition of value devalues those very universal capacities that enabled our species to survive and evolve: our ability to care for each other, to come to each other's rescue, to learn from each other, to stand up for what's right and to oppose what is wrong. In market terms, those capacities, if abundant, are worthless. In terms of rebuilding the Core Economy, those values are literally price-less. We take them for granted – in roughly the same way we took clean air and clean water and the ozone layer for granted – until the toxicity we unleashed jeopardized our health and survival.

Much the same is true for those very social problems that non-profits are charged with addressing. Like clean air and water, we have always taken families and neighborhoods and community for granted. After all, families are supposed to function; children are supposed to be resilient; trust is supposed to be present whenever intentions are good; people do what they are supposed to do. Collectively self-interest can be counted on to advance public well-being. And altruism like the ozone layer will always shield us from destructive selfishness. Public policy constructed on logic in defiance of reality is not going to restore the moral and social ecology we require.

The Core Economy is our species' habitat. And a monetary definition of value that devalues our intrinsic, universal capacities cannot generate transactions on the scale needed to address the range or depth of social problems that programs and non-profits are supposed to remedy.

We need to grasp what a different perception of value would make possible.

First, we are going to have to start looking at those human beings now defined as problems and liabilities through a lens that sees them as assets. When a senior tells me: "I have nothing left to give – but love," we need to say: You have what we most need. Instead, we see seniors as fiscal liabilities. All we can say is: Can you co-pay for your prescriptions and how can we possibly cope with seniors' disabilities on the scale that baby boomers will present?

There are women coming out of prison paying for their therapy by teaching teen-age females about HIV, AIDS and violence. There are fifth graders labeled Special Education and Attention Deficit students who are teaching math and reading to first and second graders. There are juveniles delinquents who are staffing the juries of a youth court that has reduced recidivism far more effectively than judges, prosecutors, police and probation officers ever did. There are high school students charged with truancy who are now becoming learners by being sentenced to tutor in elementary schools. All it takes is looking through a different lens to see at-risk problem human beings as a vast source of wealth, capacity, talent, energy, love, caring, experience and common sense.

Second, we are going to have to redefine work to include whatever labor we need to build strong families, safe communities, to care for the frail and elderly, to hold officials accountable, to make democracy work, and to fight for social justice. That means we are going to have to abandon the binary code that says: you are either paid staff or a volunteer. Money imposes a false dichotomy, unjustified status hierarchies and impossible restrictions on the labor that is available and needed to rebuild the Core Economy.

No society has the money to buy, at market prices, what it takes to raise children, make a neighborhood safe, care for the elderly, make democracy work or address systemic injustices. We pay foster care families ten to twelve times what we used to provide mothers on welfare – and all too often, we still see child abuse – and extensive, predictable human tragedies once the foster care is terminated at 18. The only way that the non-profit world is going to address the social problems that are dumped on it is by enlisting the very people who are now classified as clients and consumers and converting them into co-workers, partners, and rebuilders of the Core Economy.

If money can not do the job of enlisting that workforce, what can? Utilizing a tax-exempt barter currency called Time Dollars, we have demonstrated one way in which non-profits can provide a form of compensation that enables people to get what they need by helping to rebuild the Core Economy. Every hour spent helping another earns one Time Dollar and that enables non-profits to provide a reward for client contribution. Habitat for Humanity figured out how to mobilize an army of homebuilders: they require that every homeowner help build homes for others. The Brazilian government figured out how to convert mothers into "attendance officers" to see that their truant children actually got to school and actually studied and did their homework. Different experiments have proven how "patients" can be enlisted as partners in coping with asthma, diabetes, hypertension, depression and obesity.

Redefining Work might even entail a new kind of tithing: earmarking funds and resources for rewards for this workforce that every non-profit truly needs. The return on that investment will be the creation of a genuine constituency for the work, for the program, for the agency – and a new leverage in securing critically needed funds.

In every context, the bottom line in redefining work is: mobilize and enlist the labor you need by recording it, acknowledging it, validating it and rewarding it. Add respect for what that consumer-workforce can tell you as co-workers. Their perspective -- about staff or practices that are unproductive, condescending, paternalistic, and culturally insensitive – is solid gold. Without those feedback loops, non-profits will end up isolated – unappreciated and unfunded.

Third, reciprocity needs to replace unilateral beneficence. If non-profits are going to turn their clientele from consumers into partners and co-producers, the most compelling way to do that may seem most unthinkable: calling upon those they serve to contribute in return by helping others. All too often, lip service is paid to client participation – but exclusive focus on trying to meet client needs often precludes genuine mutuality. If non-profits embrace the mantra: It's the Core Economy Stupid, then every client can pay back by doing something to rebuild that Core Economy.

There are teenage females who may need all kinds of services – but who can provide shampoo and hairdressing for seniors who have a hard time lifting their arthritic arms to wash and set their own hair. There are seniors who can provide telephone companionship to bed-ridden seniors, guidance and support for latchkey children, and counseling and affection for teenage mothers.

If paying back by helping someone else can turn every helping transaction into a catalyst that triggers contribution by the recipient, then the non-profit world will be able to quash the indictment that it perpetuates dependency. But so long as it simply provides help to those in need without asking for anything back in return, it is sending two fatal messages to those it helps. It is saying: "I have something you need – but you have nothing I need or want or value." And it is also saying: "The way to get more help is by coming back with more problems. And the worse those problems are, the more help you will get." For those who have become accustomed to one way giving, the change to reciprocity may be traumatic. But home, family, and community can thrive only when the pitching-in is mutual. The bottom line remains: It's the Core Economy.

Fourth and finally, rebuilding a healthy Core Economy necessarily means setting forces in motion that one does not control. A healthy Core Economy does not mean keeping client families alone, isolated, separate and unconnected based on the constraints of a professional-client relationship. It means investing in ways to bring people together so that their interaction can help to rebuild the village. And yes, there will be things happening in a healthy village that simply do not fall within the stated mission or the outcomes which agencies are traditionally funded to produce. That's the Core Economy that the non-profit world has to rebuild.

In the Core Economy things happen weekends and holidays and after office hours. In the Core Economy, families and clients talk to each other – regardless of how confidential case files are kept and regardless of how rigorously professional and legal requirements to protect privacy are enforced. In that Core Economy, people eat meals in each others homes, meals that were not cooked in accordance with regulations governing food preparation. In the Core Economy, couples go out on dates without having been screened, without a reference check, without a police or FBI field clearance and without liability insurance.

Putnam observes that social capital requires trust, reciprocity and civic engagement. That's not what non-profits are funded to produce. In fact, present practice means that non-profits must scrupulously avoid just the kinds of unauthorized, unprofessional interactions which historically have produced social capital. But the bottom line is: It's the Core Economy. Until non-profits get that, they will be part of the problem, living off of social problems, consuming scarce resources to address symptoms while contributing to a pathology that erodes social capital and ultimately turns neighborhoods and communities into colonies whose resources are being systematically strip-mined.

If we are going to get real about problems, we need to remember: *It's the Core Economy.* Maybe then, non-profits will find new ways to partner with those whom they serve; together they will make the pie bigger – and by doing so, both will earn the status they deserve to enjoy as stakeholders, shareholders and turn-around specialists for the human enterprise.

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