



Economics for everyone

Prospectus for the
Citizens' Economic Council

About the Citizens' Economic Council

In this prospectus, the RSA make the case for a more democratic economic debate. The economy is an issue that the public recognise as of primary importance, but feel they have little agency and authority over. We explain why there is a need to increase literacy, accessibility and awareness of economics, a need to promote transparency in the way economics is discussed, a need to strengthen democratic accountability and also a need to promote creativity in the conversation about economics.

There are many reasons for why deliberation about economic policy is valuable – intrinsic reasons as well as instrumental. As well as shaping better and more informed policy decisions and improving its quality, deliberation helps us explore citizen values and voices, promotes transparency about economic priorities, promotes stronger awareness and education about economics, and ultimately, strengthens democracy and debate. The success of deliberations across the world about economic issues points to the value such processes can add.

The RSA's Citizens' Economic Council is one such deliberative engagement process – the Council of 50-60 citizens will deliberate about the UK economy, its outcomes, and co-create policy with policymakers. Its uniqueness lies in its focus on exploring national economic priorities and values and engaging citizens in shaping and advocating for economic policy ideas – ensuring that economics is made accessible and engaging for everyone.

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1 The need for more democratic economic debate

“The economy, stupid.”

James Carville

Lead strategist for Bill Clinton’s successful 1992 presidential campaign

In politics, the economy matters. Governments rise and fall on the back of economic success or failure. But does the quality of our political debate about the economy match up to its importance? Are citizens sufficiently informed and engaged to hold policymakers to account for economic policies?

It is the RSA’s contention that we can do much better, and this prospectus sets out how the Citizens’ Economic Council will contribute to a richer debate about the economy.

The Council will consist of a group of citizens who will embark on a journey of deliberation and dialogue about economic policy. It will seek to support the development of agreed public perspectives and values on economic

issues, as well as to co-produce practical recommendations in collaboration with policymakers, economists and stakeholders, strengthening transparency and accountability on economic policy.

The project extends beyond the core activities of the Council itself. The RSA will also engage the public in more informed and wider discussion and debate about the goals and priorities of economic policy through an economic inclusion roadshow, crowdsourcing policy ideas from RSA fellows and self-organising groups, creating social media conversations, research into applying deliberative methods to economic policymaking, and through an online course in understanding and challenging economic policy. The RSA will also seek to directly engage policymakers and politicians with the ideas of the Council.

The case for a step change in democratic engagement

“Your voices are vital. The word vital means ‘necessary for life’. A democracy, to be fully alive, must include all its citizens.”

Swanee Hunt

U.S ambassador and philanthropist

We concur with Swanee Hunt’s eloquent plea for participatory democracy. We also argue that there are pressing and specific reasons for taking a new approach to economic policymaking.

Erosion of public trust

Recent economic crises from the global financial crash of 2008 to the ongoing sovereign debt and Eurozone crises have damaged public trust in economic and political institutions.

This has prompted a debate about accountability, transparency and democracy in the way decisions about people’s lives were taken both in responding to these crises and in implementing post-crisis

austerity programmes. Dissatisfaction with the status quo has been expressed through emerging grassroots and political movements across the world - from the Occupy movement, to the formation of new political parties and the success of politicians such as Donald Trump positioning themselves as anti-establishment candidates.

The rise of pluralism in economics

During the years leading up to the global financial crisis, economists and policymakers had become increasingly confident that a single internally consistent economic theory had advanced sufficiently to ensure we knew how to deliver economic stability and growth. The President of the American Economic Association even declared in 2003 that the “central problem of depression prevention has been solved”.¹

Labelled the ‘Great Moderation’ and the NICE era (Non-Inflationary and Consistently Expansionary), the apparent success of global economies in delivering low inflation, strong growth and high employment was attributed to a package of policies that had gained consensus among international financial institutions and governments of most of the world’s largest economies. This policy package, sometimes referred to as the Washington Consensus,² when applied

¹ Lucas, Jr., R. E (2003) “Macroeconomic priorities.” Presidential address to the American Economic Association, Washington DC, January 4, p.1

² The **Washington Consensus** is a set of 10 economic policy prescriptions considered to constitute the “standard” reform package promoted for crisis-wracked developing countries by Washington, D.C.–based institutions such as the International Monetary Fund (IMF), World Bank, and the US Treasury Department.

to international economic development was supported by an equally strong consensus within academic economics based on neo-classical economic theory.

The failure of models based on this consensus to predict or explain the financial crisis, and the need to apply unorthodox economic policies, such as bank nationalisations and quantitative easing, outside the previous bounds of current orthodox practice in economic policy led many to question whether a broader range of economic theories and models is necessary to provide a broader policy view.

In academic economics, forgotten theories on financial instability have been revived and research bodies such as the Institute for New Economic Thinking have funded new research to challenge and augment the existing body of academic work. Rethinking Economics, a student-led movement pressing for pluralism in economic teaching in universities, has spread to thirteen countries³ across the world and has launched an initiative to bring popular economics teaching to the general public. Initiatives such as CORE⁴ have also developed as an academic-led, collaborative and empirical initiative which is focused on improving the teaching of economics so that it is relevant to today's problems.

Economic policy, at least in the UK if judged by the 2015 general election, is yet to reflect this new pluralism in economic thinking

³ Rethinking Economics groups currently operate in the UK, Israel, Uganda, US, Canada, Ecuador, China, Italy, Turkey, Czech Republic, Greece, Denmark, and the Netherlands. At the time of writing, there are 40 groups: <http://www.rethinkeconomics.org>

⁴ CORE: <http://www.core-econ.org/>

but if we are to have the best chance of successfully meeting the challenges of the 21st century we need to ensure we are not ruling out potential policy responses on the basis of a false sense of certainty in the science of economics. After all, even where economic theory and evidence is perceived as being well established, the future is highly uncertain.

Coping with rapid economic transformation

The 21st century faces many potential transformations that are either economic in nature, or will significantly impact on economic activity. This is in contrast to the greater stability and predictability of the post-war 20th century.

Degradation of eco-systems, resource stresses and climate change will create increasingly severe and unpredictable impacts. A rising population, young in the global south and aging in the global north, will also see rising migration resulting from conflict, climate change and the search for a better life. Disruptive new technologies such as data analytics, robotics and artificial intelligence may change the world of work and the nature of production and consumption in dramatic ways.

To maintain social stability and allow communities to flourish in the face of such uncertainty and rapid change will require broad-based support for better economic decisions. It will also arguably require more creative and innovative ideas about how to successfully organise and manage market economies.

We explore the challenges of increasing public participation in, deliberation on and support for economic policymaking further below, before discussing how deliberation can help meet these challenges in the next section.

What needs to change: four challenges

This prospectus for the Citizens' Economic Council takes as its starting point the main contention that **there is a democratic deficit in economic policy and decision-making**. Citizens in the UK have too little influence over how government manages the economy.

The causes of this democratic deficit lie in four related deficiencies; in economic literacy, transparency, democratic accountability and creativity. We need to tackle all four to create a more democratic economic debate.

1 Improving economic literacy and accessibility

Without economic literacy that gives citizens agency and the authority to engage with economic issues, economic propositions become unchallengeable facts.

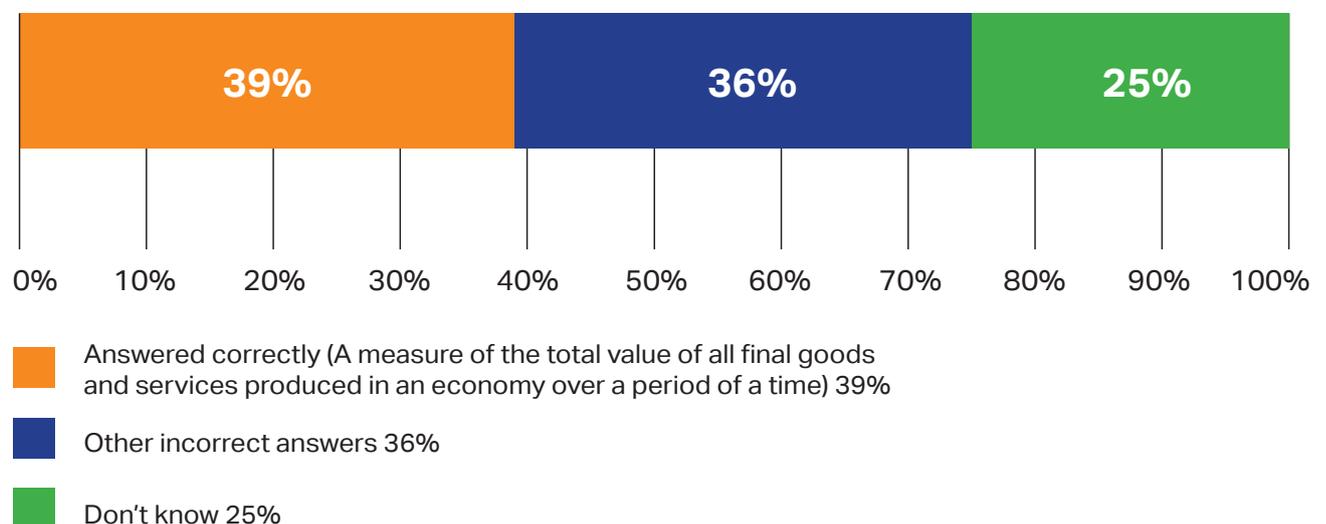
Recent surveys have found evidence of a gap in economic literacy. In 2014, the Social Economy Alliance discovered that fewer than half of respondents were confident that they understood how the economy works.⁵

Another survey in 2015⁶ suggested that this is in part because citizens have a weak understanding of the economic terminology frequently used by economists, politicians, and the media.

⁵ Social Economy Alliance (March 2014) 'From The Bottom-Up: Economic literacy and participation' accessed at http://www.socialenterprise.org.uk/uploads/editor/files/From_The_Bottom_Up.pdf

⁶ YouGov / Post Crash Economics Society Survey (January 2015) accessed at https://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/1h0dojy3oj/PostCrashEconomicsSocietyResults_150128_economics_W.pdf

Figure 1 Defining GDP



Source: YouGov January 2015 survey

Roughly 60 percent of those polled failed to correctly define Gross Domestic Product (GDP) when given five choices and a quarter of these respondents admitted to simply not knowing what it was.

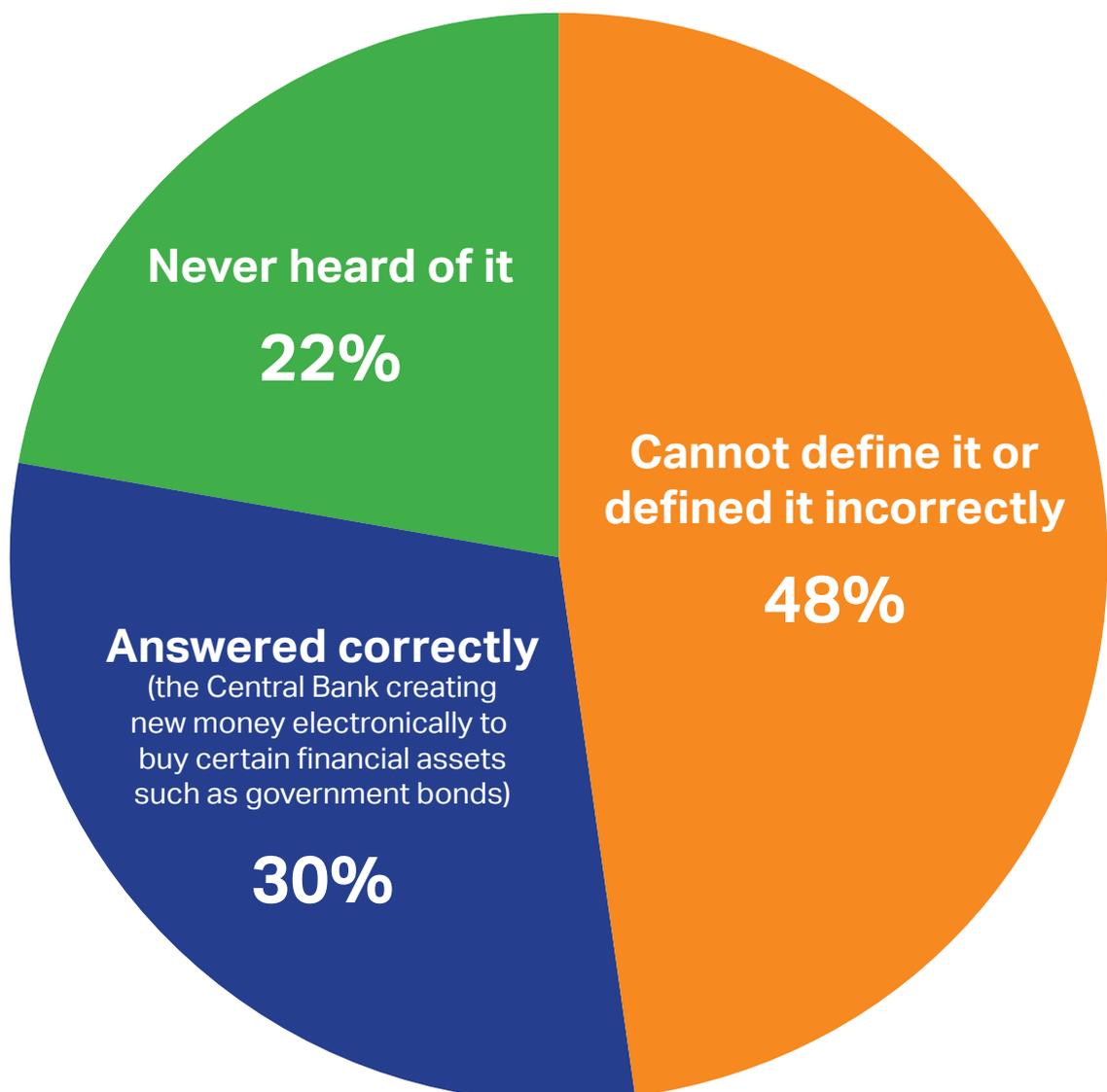
Similarly, 70 percent of respondents could not define quantitative easing; and 22 percent acknowledged that they had never heard the term before (See Figure 2).

When asked about their willingness to engage in debate about economics,

terminology was also explicitly identified as a barrier by 19 percent of respondents.

In the same survey, 20 percent of respondents said that they never talked about economics. But of all those who said that they talked about economics less than once a week with their colleagues, friends and family, only 1 percent said that they did not think that economics was important – highlighting a significant gap between the importance of the issues to citizens and their ability to engage with the issues.

Figure 2 What is quantitative easing?



2 Increasing transparency

“Only when the general public displays awareness of these issues will professional economists find it impossible to browbeat them by declaring themselves to be custodians of scientific truths.”

Ha-Joon Chang
(Economist)

What are the goals of an economy? Who should the economy serve? What are the trade-offs we have to make in deciding between different priorities?

Economics is often presented as an objective science, in which policy answers can be derived from evidence. But answers to these questions will fundamentally be about values, assumptions and judgements as well as the application of evidence based social science.

There needs to be more transparency about the political choices behind economic policy. Yet despite the clear public interest in asking these questions directly of citizens and engaging them in informed dialogue

and discussion, it is rare for economists and policymakers to do so.

There was a sense of fatalism felt among some respondents to the YouGov survey – 17 percent agreed with the statement that: “Economics is out of my hands so there isn’t any point in discussing it.”⁷ This expression of feeling powerless is likely in part because of an information deficit, whereby citizens feel that they could be more informed about options and narratives, but also due to a democratic deficit that stems from economics being falsely portrayed as an objective science. Economics is often presented, by economists, politicians and policymakers, as a set of right answers rather than as a series of political choices, or essentially, value judgments and assumptions about the best course of action.

As the economist Ha-Joon Chang explains,⁸ economics is a fundamentally political and moral subject, its origins being in moral philosophy. To explain that economic decisions are determined by ethical and political judgements, Chang uses the example of child labour, which he notes was a legitimate object of market transaction (even in the world’s richest countries) until the early 20th century. According to Chang, this example demonstrates to us that **the market itself is a political construct** as opposed to a ‘natural order’ that cannot be tampered with by political intervention.

⁷ YouGov / Post Crash Economics Society Survey (2015): https://d25d2506sfb94s.cloudfront.net/cumulus/uploads/document/1h0dojy3oj/PostCrashEconomicsSocietyResults_150128_economics_W.pdf

⁸ Chang, Ha-Joon (2014), *Economics: The User’s Guide*

The point Chang is making here is that there is no single 'correct' way to run the economy. Considering that there are nine major schools of economics that all make different political and ethical assumptions, it is important to recognise that we will need to adapt our approach depending on the circumstance.

As the survey alludes, some members of the public are under the impression that economic policy is a fixed solution. Many have also been misled into thinking that the discipline is free from bias. For these reasons, economic policy decisions often lack transparency given the frequent blurring of the connection between moral or political values and economics.

3 Effective democratic accountability

Politicians and institutions are rarely held to account for their economic policies because there is an absence of dialogue between citizens and decision-makers about economics.

Since economics tends to be seen as the preserve of experts and is often couched in jargon, citizens shy away from expressing their views in this area as confidently as they would on the NHS, schools or immigration. And yet economic policy directly influences and affects citizens' lives as much as these policy areas do. When effort is made to use more accessible language about economics and analogies that are easily understood, however, there is a risk of oversimplification or distortion – for example, some

economists argue that it is misleading to compare a nation's budget to that of a family's. As a consequence, the public feels unable to hold politicians to account on economic issues, creating a democratic deficit.

There seems to be little to no responsibility assumed by governments or institutions for communicating their economic policies in forums or spaces where they are expected to directly respond to the queries or challenges of citizens.

There is also no official moderator or independent convenor of any informed dialogue between politicians and citizens, meaning that those justifying their economic decisions can often get away with false or inaccurate assertions.

4 Space for creativity

The range of policy options considered to be politically feasible is often limited and restricting, confining citizens to a narrow public debate. Even when credible ideas for economic alternatives are suggested (for example, by leaders of the opposition, economists or activists), they tend to be portrayed as eccentric or impractical even if they have sound theoretical and empirical foundations. The rigid approach of governments in determining what is possible thus stunts creativity in economic policy and narrows down the possibility for open and wide debate.

Moreover, if citizens are denied the opportunity to mull over trade-offs or explore a wide breadth of alternative proposals, it is likely that we are already

overlooking potentially alternative and creative economic policy ideas that could better serve social progress.

The RSA's Citizens' Economic Council aims to address these four challenges through creating literacy, transparency and accountability on economic policy issues – leading to innovation and creativity. There has been much discussion about directly reforming economic and political institutions and systems, but scant regard has been paid to reforming the relationship between citizens and those institutions in order to strengthen accountability and transparency in pursuit of a healthier and more democratic economy.



2 The value of deliberation for economic policy

“Deliberation and debate is the way you stir the soul of our democracy.”

Rev. Jesse Jackson

American civil rights activist, Baptist minister and politician

The word ‘deliberation’ means to balance carefully and to consider the implications, including the arguments for and arguments against, decisions or policies. A deliberative process will usually engage a group of individuals in discussions that are informed, and which promote the sharing of perspectives and values that are diverse.

In some instances, deliberation will lead to consensus or an agreed course of decision (as is the expected outcome following the deliberations of jury trials), but in others, the outcome might involve simply capturing points of consensus as well as points of difference. Deliberation is also capable of leading to the co-production of new and innovative ideas and policies. Understanding the purpose of the deliberation at the outset is essential to ensuring the success of the engagement process.

Deliberation can be valuable for economic policy in the following ways:

Exploring citizens' values and voices

“Economics are the method; the object is to change the heart and soul,”

Margaret Thatcher

former U.K Prime Minister

Deliberation offers the time and the space to engage in debate, conversation and reasoning about issues where there are often grey areas, with ethical and moral implications. It also promotes greater

understanding of areas where individuals agree and where they disagree.

Values, assumptions and judgements about economics, and what makes for a 'good economy' will inevitably diverge. Deliberative processes ensure that these differences in perspectives and views are explored and can be captured, as are the areas where there is identified common ground; they work to find the 'fault lines' in public perspectives and public values. Understanding the fault-lines, and where they lie, are of significant value to both decision-makers and citizens.

Deliberation can also facilitate citizens' understanding that others' motivations differ from one's own. It is not uncommon for participants in a deliberation to accept or to recognise that finding the most optimal solution from a social welfare perspective may differ greatly from a perspective motivated by their own self-interest or individual 'rationality'.

Informing and educating citizens, and promoting transparency

Economic policy is an area that is complex, where there is significant uncertainty, and where unspoken assumptions are often made about citizen values, preferences and judgements.

There are also assumptions made about the outcomes that an economy should aim to achieve. These assumptions are often not rendered explicit or clear, lending themselves to a lack of transparency, accountability and democracy in the way decisions about economic futures are taken.

Deliberation enables and empowers citizens to inform themselves about the relevant issues, to reflect on the conversations they have had, to research or to explore new ideas, share different perspectives – and to enlarge their own perspectives. Informed discussion aids citizens to explore complex policy issues and areas, such as those about the economy, with greater confidence and agency – and strengthens the credibility of citizens' deliberations amongst economists, policymakers and wider stakeholders.

Strengthening democracy and debate

The legitimacy of democratic institutions and economic institutions can be strengthened through deliberation, by bringing public values and concerns into the realm of decision-making.

Deliberative democratic theorists have argued that decisions are more legitimate, and democratic, when the assumptions underlying them and the trade-offs that have been chosen are made transparent, discussed and debated.

A healthy democracy has a critical role in cultivating strong relationships between citizens and institutions. Deliberation has the capacity to foster those relationships – allowing for increased accountability, increased trust and better communication.

Shaping better, more informed policy decisions

“Progress depends as much on our collective differences as it does on our individual IQ scores.”

Scott E. Page

Professor of Complex Systems, Political Science, and Economics at the University of Michigan, Ann Arbor

Economic policy is an area that has considerable influence and impact on the day-to-day lives of citizens through the decisions made by governments about the future of the UK economy.

Decisions that are made ‘behind closed doors’, with little, to no public engagement, often find themselves subject to fierce public scrutiny and criticism. Controversial decisions have been made that have faced public backlash, and have forced a reversal of government policy – examples of these

have included the government’s plans to introduce the bedroom tax⁹ and planned cuts to personal independence payment (PIP) disability allowances.¹⁰

The work of academics such as Scott Page¹¹ explores how groups with diverse perspectives often outperform groups of like-minded experts. There is a growing body of literature which supports the argument that decisions that have been informed by, and engaged with, by a diverse range of perspectives tend to secure better outcomes leading to organisational success.

This places more conventional, top-down models of policy-making in a quandary: a shift in UK government towards more open models of policy-making reflects a growing realisation within UK policy circles that this is the case. The Civil Service Reform Plan of June 2012 incorporated within it an agenda for promoting more open policy-making, and the Cabinet Office has since launched a Policy Lab which works to test out and promote these approaches across government.

One example of emergent models creating a deliberative dialogue between citizens and decision-makers in policy is NHS

⁹ The government was subject to legal challenge by way of judicial review on decisions relating to the application of the bedroom tax (‘spare room subsidy’) in the Court of Appeal, which was then discussed in the Supreme Court in February 2016.

¹⁰ The government announced a change of policy (‘u-turn’) on planned spending cuts to personal independence payments (PIP) in March 2016, following significant public backlash and the resignation of a senior minister, Iain Duncan Smith MP, over the decision.

¹¹ Page, Scott. E, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies* (2008), Princeton University Press

Citizen,¹² a deliberative engagement process that has involved citizens in a conversation about the strategic direction of the National Health Service. Another long standing example is that of Sciencewise,¹³ an embedded government-funded public engagement programme which has delivered 54 dialogues in partnership with 32 government departments and agencies over a period of 12 years.

The parallel challenge for policy-makers, in economics and more generally, is how to effectively engage citizens early on and upstream so that they are part of an iterative and collaborative process of public engagement: moving beyond consultation towards models that engage with a wide range of stakeholders - benefiting from their unique insight. This is often represented as moving up the ladder of engagement – from simply informing and receiving information from citizens and stakeholders, towards a more engaging and collaborative model.

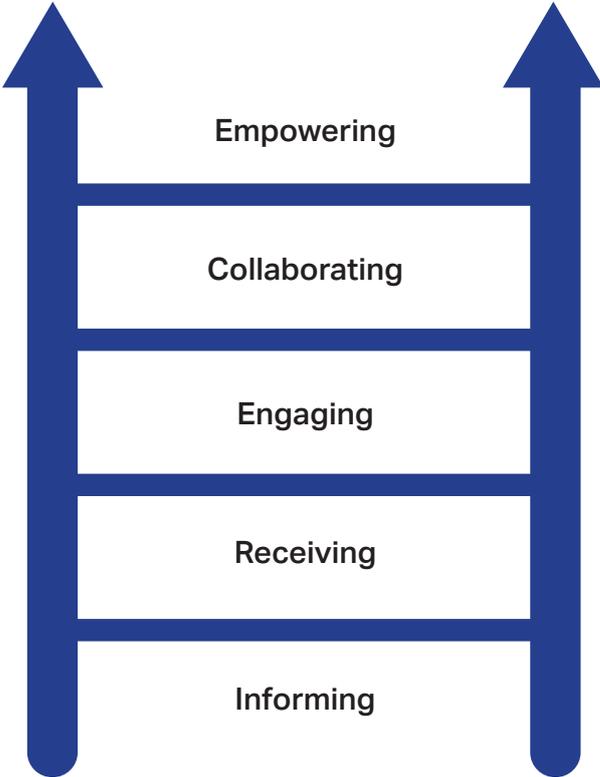
After the 2008 financial crisis, the UK government’s approach to monetary policy and to regulation of the financial sector was also heavily criticised. Such public backlash against and erosion of public trust in institutional competence has a cost associated with it – which can be both tangible and intangible. Deliberation,

¹² NHS Citizen is a national programme to give the public a say over healthcare matters, and to influence NHS England directly. It is a deliberative public engagement programme: <https://www.nhscitizen.org.uk/>

¹³ Sciencewise is a programme funded by the Department for Business, Innovation and Skills which co-funds and supports deliberative public dialogue across government as well as in non-departmental public bodies: <http://www.sciencewise-erc.org.uk>

through its potential for reduced conflict and reduced cost has the ability to prevent corrosion to public trust in political and economic institutions.

Figure 3 The ladder of engagement



The expectation is that public policy and decision-making processes that have engaged early on with and are more in tune with public values and judgements are less likely to meet with backlash than those which have not. In facilitating this process, deliberation and other effective forms of public engagement have the capacity to reduce conflict, and the associated costs of conflict, as well as to rebuild public trust in political and economic democratic institutions as those institutions become more open, inclusive, transparent and engaging.

3 Economic deliberations across the world

Deliberation about economic issues has met with widespread success across the world. These include the example of participatory budgeting in Porto Alegre, Brazil implemented in the 1980s – which has now prompted similar participatory budgeting innovations across the world, and the creation of a movement in favour of participatory budgeting. Paris, New York, Chicago, Toronto and Seville are now amongst the leading cities that have embraced and adopted the principles of deliberation at the heart of decision-making about budgets.

The recent constitutional convention in Ireland (2011), known for its deliberations on same-sex marriage, has also proposed economic and social rights for inclusion in Ireland's constitution. A constitutional council set up by Iceland's parliament also resulted in widespread participation and engagement, but met with muted responses from the parliament itself, and Australia's Melbourne City Council engaged its citizens in a deliberative engagement process leading to the creation of the Council's 10-year financial plan.

These are the four case studies of successful economic deliberations that we

consider – exploring some of the lessons learned from them.

Four case studies of deliberative democracy

Case study 1 Ireland's Convention on the Constitution (2014)

Why was the convention created?

Ireland's constitutional convention¹⁴ emerged in response to the 2008 financial crisis, which deeply affected the political system. The 2011 general election led to a coalition government between the centre-right Fine Gael party, and the left of centre Labour Party. The difficulty of

¹⁴ Ireland's convention on the constitution (2012 – 2014): <https://www.constitution.ie/>

reconciling different political points of view into a common programme for government resulting in the creation of a constitutional convention to consider a number of disparate and unresolved questions.

How was the convention structured?

The convention comprised 100 citizens – including a group of 66 randomly selected citizens, and independent chair and 33 representatives chosen by Ireland’s political parties. It met during nine weekend meetings over the course of 12 months, with trained facilitators moderating small group discussions. The citizens read background materials and heard from experts and advocates from both sides of the debates before deliberating.

What issues did it consider?

The convention explored and considered a range of issues, including reducing the voting age of 17, increasing the participation of women in public life, the introduction of same-sex marriage, and the strengthening of economic rights in the constitution. The deliberative process is most famous for proposing the introduction of same-sex marriage in Ireland which subsequently led to a referendum vote in favour.

What impact did the convention have?

85 percent of the constitutional convention voted in favour of strengthening

“economic, social and cultural rights” (ESC rights) in its ninth and final meeting (2014). Economic rights are those rights that relate to labour and property rights – including the right to work and to fair conditions of work. Social Rights included the right to social security, education, to an adequate standard of living and to shelter. Cultural rights included the right to participate in the culture of one’s communities with the right of ethnic minorities to practice their own culture, faith and language. Convention members heard arguments in favour and against reform – from barristers and from senior civil servants.

Following a panel discussion the members were presented with a number of options. They voted to enhance the level of protection for ESC rights, making them amenable to supervision by the courts in certain circumstances. They also voted to highlight certain rights which should be expressly stated in the Constitution. These included housing, social security, essential healthcare, disabled people’s rights and linguistic and cultural rights.

Case study 2 Iceland’s Constitutional Council (2011)

Why was the Council created?

The 2008 national economic crisis in Iceland (including crashes in the country’s stock market, currency and banking systems) caused a public outcry, now

known as the 'Pots and Pans' revolution.¹⁵ This led to the resignation of the Icelandic government in 2009. Pressure for constitutional reform meant that the new government implemented a constitutional council. Its objective was to put forward a new draft constitution in order to secure an overhaul of the old constitution dating from 1944.

How was the Council structured?

The constitutional council¹⁶ consisted of 25 publicly elected citizens. 522 people stood in the elections, with 15 men and 10 women elected. The voter turnout in this election was 36 percent – and many of those elected were well-known public figures (including a trade union chairman, a university professor, a manager of Reykjavik Art Museum, a journalist, a professor of economics, and a media presenter).

The council undertook to engage extensively with the wider public, crowdsourcing ideas for the bill through social media, setting up a 'consultative citizens' forum' and advertising extensively for proposals from interest groups, the public and other parties.

¹⁵ Protests in Iceland against the government intensified from 2008 into 2009. Demonstrators banged pots and pans, and honked horns to disrupt the year's first meeting of the then-Prime Minister, Geir Haarde and the *Althinge*, Iceland's Parliament. The use of pots and pans saw the press refer to the event as the 'Kitchenware' or 'Pots and Pans' revolution.

¹⁶ T. Gylfason, *Democracy on ice: a post-mortem of the Icelandic constitution* (June 2013): <https://www.opendemocracy.net/can-europe-make-it/thorvaldur-gylfason/democracy-on-ice-post-mortem-of-icelandic-constitution>

What issues did the council consider?

Proposals incorporated into the constitutional draft included the strengthening of human rights and democracy, increasing transparency, securing equal access to health care and education, introducing a more strongly regulated financial sector, and introducing public ownership of Icelandic natural resources. The draft of the constitution was finished on 29 July 2011, and was presented to the parliament on the same day.

The specific proposals that the bill put forward included the following:

- A referendum on abolishing the state church (polls indicated 73 percent would vote in favour of separation of church and state).
- A number of changes to government, including not automatically making the biggest party's leader prime minister, introducing a 10-year limit for prime ministerial terms, and that a vote of no confidence should have to include a proposed replacement prime minister.
- Obliging the state to provide internet access to all citizens.
- Introducing a three-term limit for the president.
- Allowing 15 percent of voters to put bills to parliament or call for a referendum on proposed laws.
- Restricting the government's size to 10 ministers, and barring ministers from being MPs at the same time.
- Declaring Iceland's natural resources public property.

What impact did the Convention have?

The draft bill was subsequently put to a referendum. 67 percent of voters on the draft Bill supported the proposals overall. When asked specifically about whether they supported proposals to secure public ownership of Iceland's natural resources, 83 percent said yes.

The manner in which the results of the engagement, and the outcome of the referendum has been handled by the Icelandic parliament has been subject to extensive scrutiny, debate and criticism from across the globe – the bill has not to date been adopted by the Icelandic parliament.

Some of the lessons and reflections that can be drawn from this example include the importance of those who are commissioning the engagement exercise to be fully committed to the outcomes, as well as the importance of precision and clarity to what is genuinely open for change, and what is not. Failing to provide this clarity at the outset could result in greater public disillusionment and mistrust in future engagement processes.

Case study 3 Participatory Budgeting in Porto Alegre, Brazil (1987 - present)

Participatory budgeting – the process of allocating funds for citizens to deliberate about and choose what public funds should be spent on – was first introduced in Porto

Alegre, a municipality in Brazil in 1987 and is now embedded in its governance. It has since spread to more than 120 cities across Brazil, and has been implemented in leading cities across the world – including New York, Paris, Toronto and Seville.

Why was participatory budgeting introduced?

Porto Alegre elected a mayor from the Workers' Party. This political party has governed Brazil since 2003 and was committed to citizen participation and redirecting government priorities towards the poor since its creation in the 1980s. It has a reputation for investing heavily in promoting direct citizen participation at a local level in new democratic venues, and participatory budgeting was both a flagship and immensely popular political policy in Porto Alegre – within the context of a country with rife corruption and patronage. In the 120 cities across Brazil that have since adopted participatory budgeting, the majority have been under the leadership of Workers' Party mayors.

The significance of such clear political leadership should not be overlooked – it showcases how such deliberative engagement processes tend to flourish when elected officials are both committed to, and are both politically and operationally able to implement more participatory institutions.¹⁷

¹⁷ Improving Social Well-Being Through New Democratic Institutions, Comparative Political Studies September 2014 47: 1442-1469, (December 2013)

How was the participatory budgeting process structured, and what issues did it consider?

There are three notable features of the approach to participatory budgeting in Brazil:

- Fund allocations are discussed within districts for amenities such as street paving, parks, schools and water supply.
- A mechanism through which issues that affect the entire municipality (eg pollution of beaches) can be discussed and receive targeted investment.
- A public debate also identifies and sets the criteria for how budgets are allocated to the districts across the municipality – so as to ensure distribution is progressive and fair. These may include having regard to the district's level of poverty, population numbers and level of shortages.

What impact did participatory budgeting have?

The process of participatory budgeting has effected significant social change in Porto Alegre. At a time when a troubled national economy plagued municipalities across Brazil, the condition for those on low incomes and in poverty in Porto Alegre improved significantly in a number of ways.

- Between 1988 – 1997 sewer and water connections in Porto Alegre increased from 75 percent of total households to 98 percent.

- New public housing units, sheltering 1,700 citizens in 1986, sheltered 27,000 in 1989.
- The number of schools from 1986 more than quadrupled.
- Porto Alegre's health and education budget increased from 13 percent in 1985 to almost 40 percent in 1996.
- Participation had, over time, increased significantly. In 1990, 1,000 citizens took part in participatory budgeting. By 1999, this had increased to 40,000 citizens taking part.¹⁸

The success of Porto Alegre's participatory budgeting stems from a shift away from a culture of 'clientelism' and corruption which served the interests of a minority, towards increased transparency about financial budgets, empowering citizens to serve the interests of the wider public.

The spread of participatory budgeting

There have since been many recent pilots and instances of participatory budgeting, which has gained popularity across the world. Notable initiatives include Chicago and New York in the United States, Paris, as well as initiatives in Spain. Different models have been tried and tested, blended interactions of deliberation and online; and piloting digital initiatives.

¹⁸ Empowerment case studies: Participatory Budgeting in Brazil (2003), World Bank: http://sitere-sources.worldbank.org/INTEMPowerment/Resourc-es/14657_Particip-Budg-Brazil-web.pdf

Case Study 4

Melbourne City Council People's Panel (2014)

Why was the People's Panel introduced?

The explicit aspiration for Melbourne City Council was that it should be 'the most open and transparent council in Australia'. Melbourne City was also Australia's fastest growing city, providing new opportunities and challenges for the area. The Council developed its engagement approach with citizens and wider stakeholders to its first ever 10-year financial plan (worth a total of an estimated \$5bn) with that growth in mind.

How was the engagement process structured?

Melbourne City Council ran a multi-method public engagement process, which included crowdsourcing perspectives online through a consultation, seeking data about economic trade-offs and preferences through an online budget simulator, workshops and through pop-up policy booths across the city.

Alongside this information that was gathered, a 'mini public' of 43 people (including residents, stakeholders and business owners) was also convened through a 'People's Panel', which met over six weekends, deliberating about the Council's financial and spending priorities between August and November 2014. 90% of the panel had no prior involvement

with the local authority. The panel formulated a report containing several recommendations which was submitted as a formal committee paper to the City Council at a special public meeting in November of that year. The management recommended that the City Council "received the report and provides a formal response to each of the recommendations contained in the report".

What issues did it consider?

The participants deliberated on, considered, and outlined in their report the following issues:

- The panel's broad ambitions and vision for what they wanted Melbourne to look like in the future.
- A recommendation supporting rate rises (by CPI plus up to 2.5 percent) to meet capital and operating budget requirements for the forthcoming 10 years.
- Recommendations for increased funding to support the environment, tackling climate change and sustainability.
- Recommendations for a review of property asset portfolio, with the sale of non-core assets. A recommendation in favour of the retention of Citywide, a waste and street scene services provider in-house.
- Recommendations for the use of debt finance to fund investment in infrastructure, balanced with the need to maintain an AA credit rating overall.

What impact did it have?

The report from the panel was released in November 2014 – and comprised of 11 recommendations. After analysis and consideration, it was agreed that the recommendations were to be embedded into the financial plan.

In June 2015, Melbourne City Council unanimously endorsed the 10 year financial plan and that it had accepted almost all the recommendations proposed by the People’s Panel. In addition, the Panel recommended the creation of a draft asset management strategy. This complemented the financial plan and was developed in response to the panel’s discussion about the assets the City needed to support the area’s growth and flourishing within the forthcoming decade.

An independent evaluation was carried out of this process, which found that the process had either met or surpassed international standards for public participation (IAP2). The evaluators’ report concluded that:

“...the process was highly effective and/ or appropriate on a range of other good practice community engagement criteria, including: the adequacy of engagement scoping and planning; the usefulness of community input received through the engagement process; the influence of engagement on the decision making process; and the impact of the engagement on the reputation of the City of Melbourne. Finally, the participatory budgeting process for the 10 Year Financial Plan was found to be good value for money.”¹⁹

¹⁹ Lucy J. Parry, City of Melbourne’s People’s Panel,

Reflections: What can we learn?

As these case studies illustrate, a wide range of deliberative engagement processes on economic goals, objectives and policies have been successfully undertaken across the world – particularly at a local level, and there is significant variety as to the purpose, objective, design and impact of these processes. Many deliberative engagement processes will combine some of the following objectives:

- Defining goals.
- Exploring values.
- Evaluating trade-offs.
- Strategic planning.
- Creation of policies.

Participatory budgeting processes often concern the allocation of pre-existing budgets, and involve decision-making about the forthcoming year’s expenditure. They have been particularly effective in exploring trade-offs, and recognising some of the constraints that are often placed on resources. In many instances, they have also created space (through freeing up both resources and the time of participants) for significant co-creation and innovation of policies which are voted on and then implemented.

Other kinds of economic deliberative engagement processes have focused more

accessed on Participedia: <http://participedia.net/en/cases/city-melbourne-peoples-panel>

on exploring the **economic principles, values and priorities** – sometimes with constitutional implications. Examples include Iceland’s Constitutional Council, or Ireland’s constitutional convention.

There are also many local public engagement processes which are deliberative, which focus on **defining strategic priorities over a period of time**; as with Melbourne City Council’s 10-Year Financial Plan, and within the framing of that period of time, exploring trade-offs, priorities and objectives.

Whilst the case studies we have explored from across the world concern issues relating to local economies and local priorities, strategic economic and financial decisions made by city local authorities, or the establishment of economic rights within a constitution – none of them have involved deliberations about national economic policy.

The RSA’s Citizens’ Economic Council is venturing into new territory in this respect. It will, however, draw upon lessons learned from these varied processes to create a deliberative engagement process at scale with potential to achieve national reach and profile, and to effect policy change. It will support citizens to:

- Define the outcomes they would like the national economy to secure, and navigate the trade-offs between those outcomes.
- Co-create, in collaboration with the wider public and policymakers, national economic policies that support the outcomes identified.

- Engage in a process of communication and advocacy to promote both the outcomes identified and policy ideas to major political parties in advance of the 2020 general election.



4 The RSA's Citizens' Economic Council

The Citizens' Economic Council programme seeks to address a democratic deficit with respect to economic policy-making. It aims to build citizens' capacity to be informed about and have confidence in expressing views about the economy, as well as to create system change and processes that introduce greater accountability and communication between decision makers and citizens on economics.

Our objectives

- Build citizens' capacity and confidence in talking about economic policy through creating space for informed discussion with economists and relevant experts.
- Empower citizens to define the outcomes they would like the economy to secure, navigate the trade-offs that may exist between those outcomes and create new policies that would support these economic outcomes.
- Build the confidence of policymakers, leading economists and politicians to collaborate with citizens.
- Influence politicians, policy-makers, and key thinkers on economic policy to consider and to engage directly with citizens and their policy ideas about the economy.

The structure of the Citizens' Economic Council programme

- **Citizens' Economic Council:** The Council is composed of a diverse group of 50 - 60 citizens selected using stratified random selection techniques. The Council will participate in deliberative events from September 2016 to November 2017 to rigorously test economic theories and consider their implications for the UK. The deliberative engagement process will be overseen by the Citizens' Economic Council's Independent Advisory Group.
- **Online public engagement:** The RSA will crowdsource and shortlist new policy ideas from the wider public for consideration by the Citizens' Economic Council. The opportunity to submit new policy ideas online will be publicised widely, using social media and the RSA's network of 27,000 Fellows.
- **Economic Inclusion Roadshow:** The project will engage, through seven deliberative workshops across the UK,

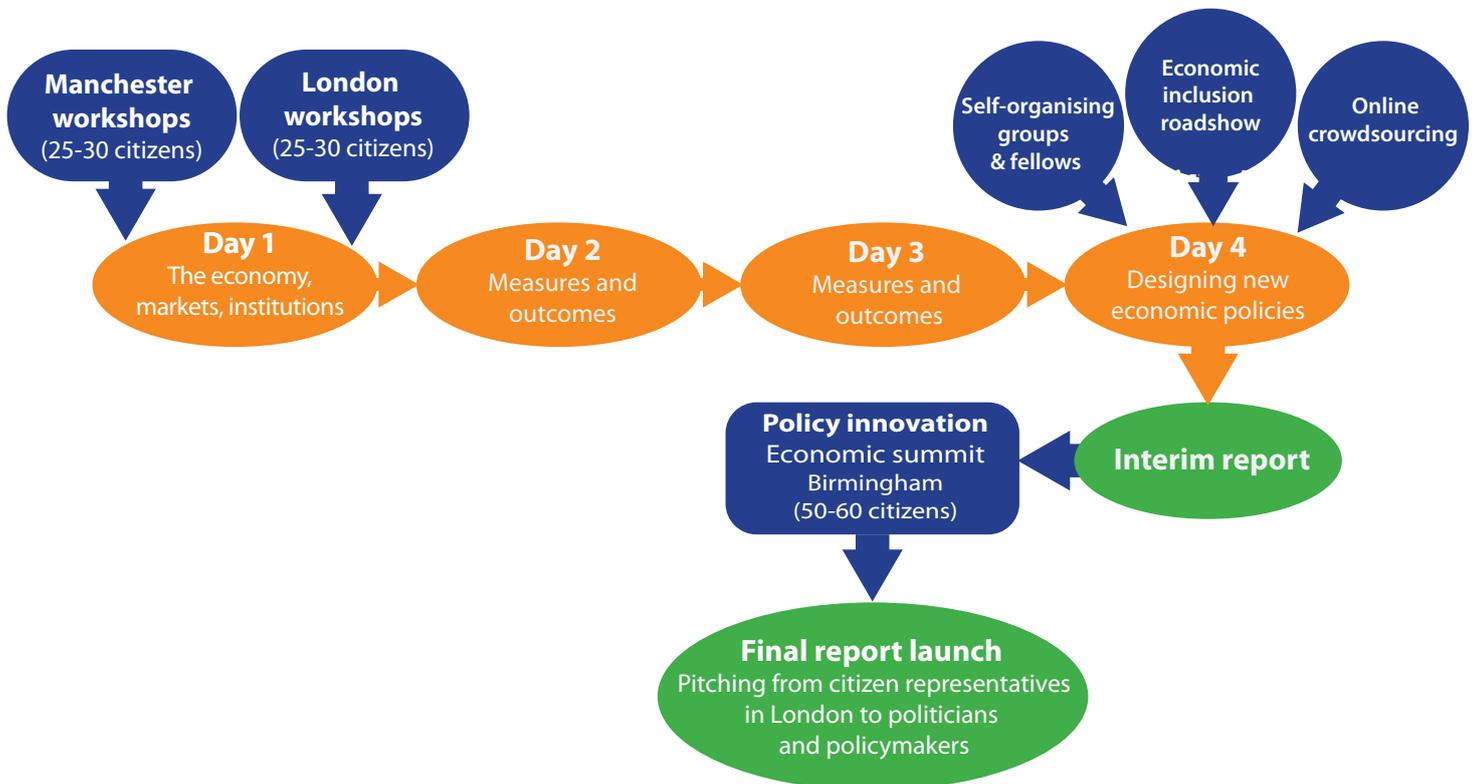
with individuals on policies that are inclusive – reaching out to and taking account of voices that are traditionally marginalised and economically excluded. Evidence from these workshops will be presented to the Council, and groups will be encouraged and supported to submit policy ideas to the Council.

- Self-organising groups and networks:** The RSA will be capturing existing activity on economic engagement across the UK and will work with self-organising networks, groups, and RSA fellows to support a conversation about how citizens can most effectively influence economic goals and priorities either at a national level, or in their local areas.

- Online economics materials for citizens:** The content that informs and emerges from the Council will be curated in an open online course and a public podcast series to allow any citizen to inform themselves and to engage with the economic debate.

- Media engagement and advocacy:** The Council will be supported to disseminate findings through broadcast, print, online and social media. All major political parties will also be invited to provide a response and to engage directly with the policy proposals supported by the Citizens' Economic Council.

Figure 4 Roadmap for the Citizens' Economic Council



The Independent Advisory Group

The purpose of the Citizens' Economic Council's Independent Advisory Group is to:

- Provide independent advice, counsel and support to the RSA's Citizens' Economic Council programme in furtherance of its objectives.
- Provide robust and impartial oversight of the quality and the independence of the deliberative engagement process.
- Provide robust and impartial oversight of the quality and the independence of the materials provided to citizen participants throughout the programme.
- Work with the Citizens' Economic Council programme management team to ensure that the research outputs from the programme are credible, high-quality and best-practice.

Simon Burall Director, Involve

Simon Burall is the Director of Involve, a think tank and charity specialising in public participation. He has long and extensive experience in the fields of democratic reform, open government, public participation, stakeholder engagement, accountability and transparency, scientific and technology innovation

and organisational change. In his role with Involve, Simon has worked with and advised many organisations including Number 10, the Cabinet Office, the Scottish Government, NHS England, the UK Civil Society Network on Open Government, UNDP, OECD, the World Bank and the European Economic and Social Council.

Prof Rosie Campbell Professor of Politics, Birkbeck University

Rosie Campbell is a professor of politics at Birkbeck University of London. She is a trustee of Bite the Ballot and Democratic Audit. She has recently written on what voters want from their parliamentary candidates, attitudes to MPs' roles, the politics of diversity and gender and voting behaviour. She is the principal investigator of the ESRC funded *Representative Audit of Britain*, which surveyed all candidates standing in the 2015 British General Election, and co-investigator of a Leverhulme funded study of parliamentary candidates and MPs from 1945-2015 www.parliamentarycandidates.org.

Prof Andrea Cornwall University of Sussex, Professor of Anthropology and Development, and Head of Global Studies

Andrea Cornwall is Professor of Anthropology and International Development in the School of Global Studies at the University of Sussex, where she is currently Head of School. She has worked on citizen participation in a variety of settings, from local regeneration

programmes in the UK to citizen engagement with participatory governance in Brazil, and has expertise on participatory methodologies.

Prof Ivor Gaber Professor of Broadcast Journalism, University of Sussex

Ivor Gaber is Professor of Journalism at Sussex University and Emeritus Professor of Broadcast Journalism at Goldsmiths, University of London. Before entering academia he was a political journalist during which time he reported and produced programmes for BBC TV and Radio, ITN, Channel Four and Sky News. He currently makes documentary programmes for Radio 4 and is an Independent Editorial Advisor to the BBC Trust. He has a particular interest in media development and has worked with political journalists in a number of developing countries transitioning to democracy. His most recent projects have been in Uganda, Nigeria and Malawi.

Prof Steve Schifferes Professor of Financial Journalism, City University

Steve Schifferes is Professor of Financial Journalism at City University and has a wide-ranging background in business and finance journalism, both for television and online. He was economics correspondent for BBC News Online, co-ordinating coverage of the credit crunch, the Asian financial crisis, the Enron scandal, and the launch of the euro. He reported from the USA during the sub-prime crisis, the

Iraq war and the Obama election and from Bangalore, Shanghai and Detroit on globalisation and its discontents. He has produced television programmes including *On the Record* and the *Money Programme* (BBC) and *Weekend World* (LWT) as well as documentary films (*Breadline Britain*, *Fortune*, and *The Making of Modern London* for LWT).

Prof Graham Smith Westminster Centre for Democracy, University of Westminster

Graham Smith is Professor of Politics at the Centre for the Study of Democracy, University of Westminster, UK. He is a specialist in democratic theory and practice and environmental politics. His publications include *Democratic Innovations: Designing Institutions for Citizen Participation* (Cambridge University Press, 2009). Graham is an investigator on a number of international research projects, including Participedia, a global knowledge platform on participatory governance; *Cherry-picking: The Results of Participatory Processes*; and *Democracy Matters* that has organized pilot constitutional assemblies in the UK. He is Chair of the Foundation for Democracy and Sustainable Development.

Victoria Waldersee Rethinking Economics, Project Manager of Economy

Victoria Waldersee is commissioning editor of *Economy* (www.ecnmy.org), a new project by student-led network

Rethinking Economics, which aims to make conversations around the economy more accessible, engaging, and inclusive. A recent BA Chinese & Economics graduate from the School of Oriental and African Studies, Victoria has taken a leading role in organising conferences, schools workshops, and campaigns for Rethinking Economics since 2013.

Diane Warburton Evaluation Consultant

Diane has over thirty years' experience of participatory action at national and local levels including in community development, voluntary action, stakeholder dialogue and most recently deliberative public dialogue. She is one of the leading evaluators of public, community and stakeholder participation in the UK, completing 20 major evaluations for NGOs, government departments and other national public bodies, and – as Sciencewise Evaluation Manager – overseeing over 40 other evaluations of deliberative public dialogue on national public policy issues. She is an Honorary Fellow of the University of Brighton, a senior partner at Shared Practice, and a Fellow at Involve.

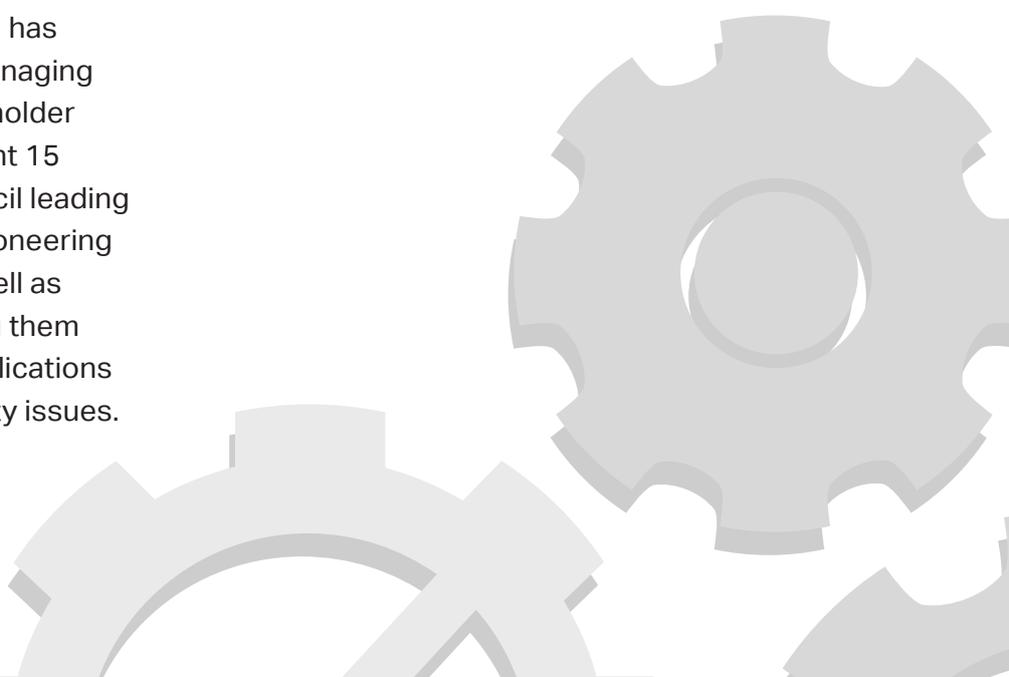
Suzannah Lansdell Dialogue practitioner

Since the early 1990s Suzannah has been advising on, designing, managing and facilitating high-level stakeholder engagement projects. She spent 15 years at The Environment Council leading and developing the Council's pioneering stakeholder dialogue work as well as working with companies helping them understand the commercial implications of environment and sustainability issues.

Since May 2007 she has been a freelance facilitator and stakeholder engagement advisor. Suzannah has facilitated at numerous workshops ranging from one to one conversations between stakeholders in conflict to workshops with over 100 participants.

Sian Williams Toynbee Hall, Head of Financial Inclusion

Sian Williams is Head of National Services at Toynbee Hall, the world's first purpose-built university settlement, founded in 1884 in London's East End. She has been responsible for Toynbee Hall's financial inclusion programmes since 2009, including Transact (the UK's national forum for financial inclusion), financial inclusion training, research, evaluation and strategic consultancy. She shares Toynbee Hall's financial inclusion expertise through expert panels and consultancy, advises the UK financial services sector and government on financial inclusion issues, and is a trustee for the Money Advice Trust, a leading debt advice charity.



Conclusion

The success of the Citizens' Economic Council fundamentally relies upon the forging of greater trust, mutuality and communication between decision-makers and citizens. The work of this programme then, is not simply to engage with citizens about economic policy – but to empower citizens to engage directly with decision-makers, and to ensure that their perspectives are heard. It is also to ensure that decision makers and stakeholders see the value and relevance of citizen engagement. Within this context, our understanding of success and impact is emergent; in a fluid, shifting and changing society and economy, the RSA will need to test different approaches, learning in an iterative and agile manner from past experiences.

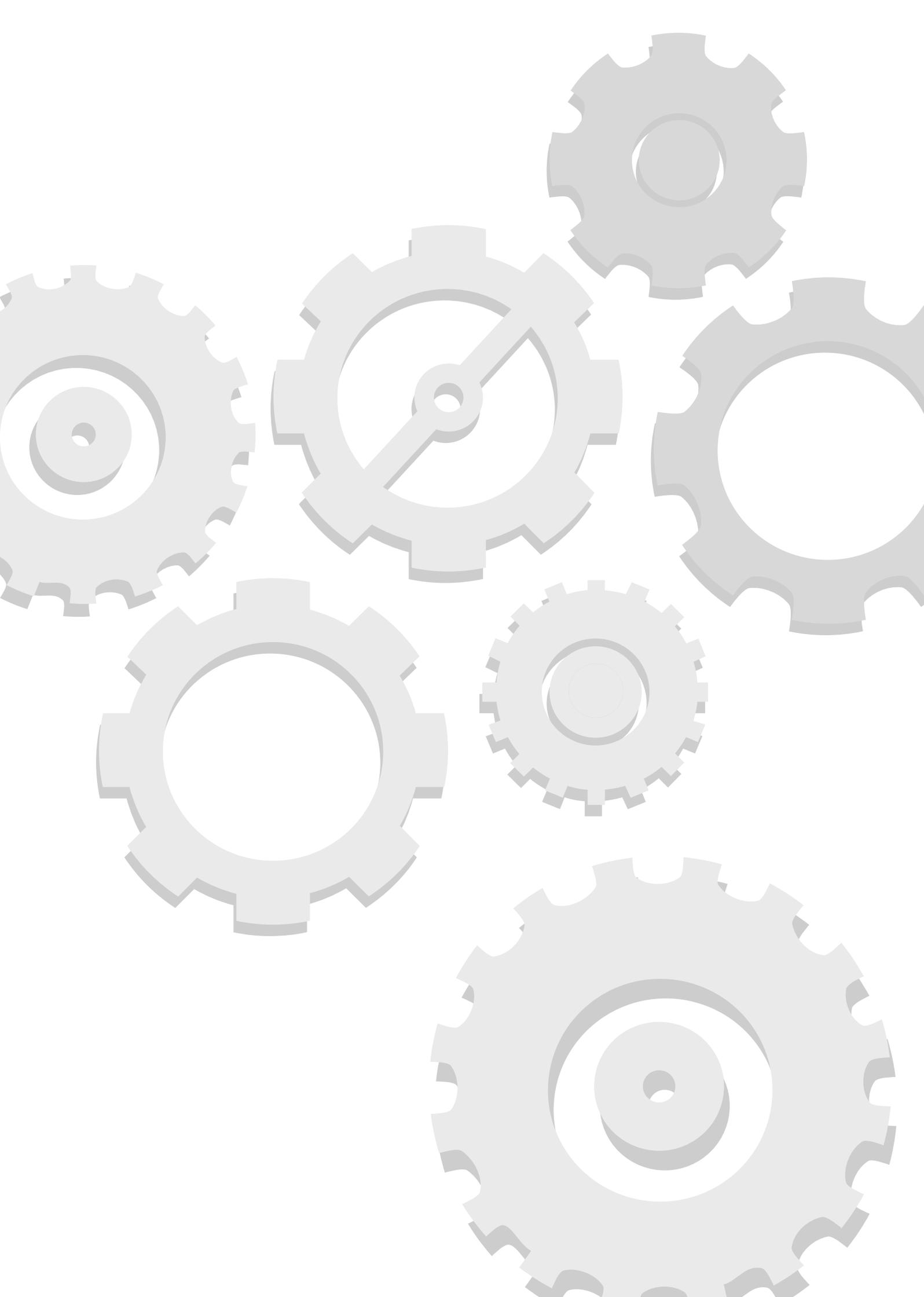
The Citizens' Economic Council programme's success rests on:

- Building greater confidence from citizens in engaging with economic policy, including different narratives, assumptions, values and judgements underpinning economic theory.
- Creating a safe space that treats all individuals and perspectives with respect, as well as facilitating mutual consideration and respect so citizens are informed and empowered to articulate a vision for the future of the UK economy.
- Securing greater receptiveness from policymakers and politicians to the ideas of citizens, as well as the value and contribution that citizen perspectives

can make, through active and continued engagement and advocacy.

- Building greater confidence from policymakers, economists and experts and key stakeholders in engaging citizens early on through a deliberative process so that they find the process of deliberation with citizens useful and constructive.
- Ensuring citizens feel their views are more valued by decision-makers and policymakers, and have the potential to influence their perspectives and views.
- Ensuring policymakers and politicians engage with, and find both the process as well as perspectives drawn from the process to be constructive, valuable and useful.
- Deepening engagement with citizens through the process so that policymakers and politicians are able to cite or provide clear examples of ways in which their involvement, thinking or decisions have changed as a consequence of participation in the process.

This prospectus for the RSA's Citizens' Economic Council outlines the direction of travel towards a stronger and more democratic economy in the UK. We invite you to join the Council on their journey, to get involved so that you can have your say – and to play your own part; whether you are citizen, policymaker, or economist – in the Citizens' Economic Council's success.



The RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce) believes that everyone should have the freedom and power to turn their ideas into reality – we call this the Power to Create. Through our ideas, research and 27,000-strong Fellowship, we seek to realise a society where creative power is distributed, where concentrations of power are confronted, and where creative values are nurtured.

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