

CHALLENGES IN DESIGNING THE NEW SUSTAINABLE ECONOMY: WHAT WE CAN DO?

Introduction – Musings of an Economic Neophyte

The road to complete sustainability is a road which has been almost completely ignored for the past fifty years. If we believe that our current course is not only unsustainable but also destructive, then the number and scope of the changes necessary are daunting to the everyday consumer. These changes will affect all of society and must be implemented across all of society to be effective.

Canada is such a small player on the global economic scene. We have made the choice to hitch our economic wagon principally to that of the United States. Given that close relationship and the size of the American economy, it seems that we no longer enjoy economic independence, and it appears in many ways that we no longer have economic sovereignty. On the global scale, the Canadian economy appears to be much healthier currently than that of most other countries, particularly two of our trading partners, the United States and the European Union (EU). The global financial crisis has crippled the American economy and that of several partners in the EU, and has persisted for the better part of three years. Canada appears to have been buffered somewhat against this economic angst – is this real or merely a delusion? If, as economic prognosticators south of the border are to be believed, another recession (something called a ‘double dip’ recession) is imminent. How will Canada fare this time around?

Being part of the global economic ‘family’ poses a number of challenges when considering developing a new, community-based, sustainable economy:

- (1) The Wall Streets of the world are so powerful and seem to be impervious to government control, particularly in the US. In Canada, we have wisely retained the long-standing regulatory controls over our banking system and we are seeing much greater stability in that sector relative to the rest of the world. We are also slowly learning of the level of control the financial sector has over our lives, and how small their social conscience is.
- (2) The push for globalization in business and financial activity has been pervasive. While we have seen some success in the development of overseas markets, there have been some significant negative impacts on the North American economies: e.g., millions of jobs outsourced to countries with lower pay rates and fewer benefits for the employees; and a plethora of cheaper (and lower quality) goods flooding our markets. With the nature and size of globalization pressures, how will a community-based economy and a ‘buy local’ philosophy fare?
- (3) One of the critical aspects of the lingering financial crisis has been the lack of transparency on the part of the large global financial institutions. Much of the activity (some of it illegal, most of it unethical) which resulted in the economic plunge of 2008 was hidden from governments and citizens alike. Even with the massive bailout (‘stimulus’) packages, corrupt activities continued. The rich corporations have continued to amass more wealth while the rate of mortgage foreclosures and business failures has continued to climb in the United States. One of the key elements of a community-based economy must be transparency.

- (4) Governments everywhere (including our federal and provincial governments) are heavily in debt; Canadians are drowning in debt (much of it because of credit cards); and businesses are struggling because of people spending less and the relative unavailability of credit for business development. What are the appropriate design features of a new sustainable economy which will minimize the reliance on borrowing to finance consumer spending, particularly since a good deal of this spending is unnecessary? How will such an economy manage borrowing for capital development (for infrastructure, for example) and public services?
- (5) Small businesses create most of the jobs in our economy. The new sustainable economy will be heavily dependent upon small businesses and their success, and must be designed to encourage and foster small business development and activity.

We can continue to rely on senior levels of government and the Wall Streets of the world to struggle with ‘managing our economy’ or we can decide to seek leadership and guidance elsewhere. I am convinced that the most effective leadership has to come from community-minded citizens who are making a number of lifestyle changes and who are prepared to build an enduring, fair, local economy to enhance their quality of life.

Taxation

When considering how to build the new sustainable economy, an economy which is more community-based,¹ a number of key questions need to be addressed:

- (1) How will we pay for public services, e.g., health, education, old age security, protection and security, and welfare programs?
- (2) How will we pay for the public infrastructure, e.g., transportation systems, energy transmission systems, and communications systems?
- (3) How will we pay for the costs of nationhood, e.g., trans-provincial and trans-continental transportation, energy and communication systems, and security and safety infrastructure (coast guard, RCMP, armed forces)?
- (4) How will we pay for and manage the land and natural resources in and around our communities?
- (5) How will we pay for land and resource stewardship?

One of the answers common to each of the above questions is taxation. Who among us has thought about how we will need to re-structure our taxation system(s) in order to facilitate sustainable (fair and equitable) societies? Such a challenge makes the HST debate seem minor.

Another challenge facing our taxation systems(s) is the rate at which our population is reaching retirement age.

Retirement Age

When pension plans were introduced 50-60 years ago, it was never envisioned that a time would come when the number of people working to support our national pension plans would be decreasing at a rate which places these pension plans in peril. It was always assumed that Canada, being a young, big, vibrant, wide-open country would continue to grow in population

¹ For the purposes of this discussion, “community” is used to denote a “community of place.” A “community of interest” is what is referred to as an interest group.

because there would always be enough jobs and a high standard of living which would encourage people to have children and for immigrants to target Canada. So, in the post World War II era, people began to have children, lots of children. This was a good sign for the economic models being utilized at the time. And, Canada's borders were relatively open to immigrants from around the globe.

We enacted 'progressive' laws – e.g., mandatory retirement age and old age security – and made it possible for people to retire early if they so wished. Society and governments hummed along quite nicely because there was not a heavy draw on the Canada Pension and Old Age Security funds. Governments dipped into these funds from time to time to fund other initiatives and even to help pay down the country's long-term debt. Life was good and improving if you were in the upper and middle classes. Economic growth and stability were trumpeted across the land and overseas. Canada was the 'golden child' of the British Commonwealth.

Fast forward 50-70 years and we see that post-war generation (the 'boomers') are nearing or achieving retirement age. The first sign that trouble was on the horizon was in the 1990s when the Canadian Government raised the amount of CPP contributions deducted from paycheques because there were concerns that the CPP fund would be exposed to some severe liability concerns in the near future (when the 'boomers' retired). Over the past five years (especially the last two), we have heard several governments around the globe talking about the need to revise the national pension systems because there was not enough money being generated by these funds to cover the anticipated requirements for retirees. And, the Canadian Government has tabled legislation to lift the mandatory retirement age.

One of the main reasons that the national pension funds are in dire straits is that the rate at which people are retiring is increasing while the rate at which people are entering the work force is decreasing. And, the 'boomers' retirement has yet to go into full swing. Another factor is the increasing number of people in lower paying jobs, such as those in the service industries.

What we have referred to in this country as one of our birthrights, especially after a life-time of hard work, is in jeopardy.

Declining Birth Rate

Another factor complicating the taxation systems(s) is Canada's declining birth rate. For any number of reasons (e.g., gender equality, two-income couples, career choices and opportunities, or high costs of child rearing) Canadian couples are having fewer children. Having fewer children translates ultimately into fewer workers to enter the work force. Fewer workers means less income tax and less contribution to pension funds.

Are our federal and provincial pension and old age security programs appropriate for a new sustainable economy? If so, how do we make these programs sustainable for the long term? If not, what are the alternatives?

Immigration

Through our immigrations policies, Canada is home to one of the most culturally diverse societies in the western world. Immigrants from many countries built this country during the 1700s, 1800s, and 1900s, and their legacy is one of the most tolerant, diverse cultures in the world. While there is some resistance to our current immigration policies (many believe that we

are too lenient, while others believe that we need to be more lenient), there is no doubt that immigration may be a major factor in the evolution of the new sustainable economy.

Do our current immigration policies fit the goals and objectives of a new sustainable (community-based) economy? If not, what are the alternatives?

Governance

Background²

If we expect a new sustainable economy to include substantive changes from the current economic system, it then stands to reason that our governance system(s) will also need to change substantively. Right now, we are burdened with at least three levels of governance: local (municipal and regional), provincial, and federal. In our current governance system, with its dependence on funding from the senior levels of government coming to the communities, it is very easy for community-based interests to be deemed to be inappropriate or invalid on the larger scale or to be ignored. If the new sustainable economy is to be successful, then each community must have control over its own resources and finances.

The over-riding goal of governance in democracy must be advancing the common interest, beginning with local communities and moving up to larger communities. The common interest is composed of interests widely shared by members of a community. It would benefit the community as a whole and be supported by most community members. Judgments of the common interest depend on assessments of the multiple interests in the particular community. When such judgments differ significantly, the differences must be resolved through politics if the community is to act collectively. Advancing the common interest does not entail achievement of some ideal, such as unanimity (or consensus), or the inclusion of all interests affected by a decision in making it. Consensus gives a veto to special interests; the principle of affected interests is impractical and unachievable if real people are involved. Advancing the common interest means integrating, if possible, or balancing if necessary, the valid and appropriate interests of community members who consider their stake in the issue sufficient to warrant their participation in resolving it. The interests are specific to the particular community and cannot be assessed apart from that community. Advancing the common interest is assessed according to an historical baseline in the same community or, with more difficulties, across similar communities.

It is difficult both politically and ethically to justify policies which serve the special interests of the few over the common interest of the many in the Canadian political tradition. Those who accept equal rights and insist on fair consideration of their own interests cannot legitimately deny equivalent consideration of competing interests without showing that the competing interests are invalid or inappropriate. Interests are invalid if not supported by the evidence available and inappropriate if not consistent with larger community commitments, such as our Charter of Rights and Freedoms. Interest groups in competition with each other sometimes appeal to their own special interests in attempts to rally their own supporters. This typically does less to achieve dominance by one group over the others than to block collective action and reinforce gridlock. Interest groups sometimes appeal to the common interest in one form or

² The background discussion is excerpted from: Brunner, R.D., T.A. Steelman, L. Coe-Juell, C.M. Cromley, C.M. Edwards and D.W. Tucker. 2005. Adaptive governance. Integrating science, policy, and decision-making. Columbia University Press, New York, NY.

another to broaden community support for their policy positions. This is both expedient in the search for more community support and principled in a democracy. Thus, interest groups can and do contribute to advancing the common interest. A democratic community is unhealthy when special interest groups work to undermine the valid and appropriate interests of other groups in the community.

One of the problems is an inability to integrate valid and appropriate community interests where possible, or to balance them when necessary, to protect or advance the common interest of the community. Because each community is dynamic and different in some respects, neither the range of potentially valid and appropriate interests nor the possible tradeoffs or integrations between them can be fixed or standardized entirely. Assessments are easier done in a local community than in a community of provincial, national or global scope because there are fewer interests, and they are easier done by noting present and near-term problems because our understanding of what is sustainable out to the seventh generation is limited. But assessments must be done despite such practical complications. And different judgments of the common interest must be resolved politically if the community is to act democratically.

The rise of community-based initiatives has often occurred over issues related to land and natural resource management strategies and practices. These initiatives marked the emergence of adaptive governance from the remnants of scientific management in certain places, much as scientific management emerged piecemeal from unrestricted competition for land and natural resources. Community-based initiatives emerged in response to recognition of the limitations of established structures of governance, as manifest in apparently intractable issues which could not easily be ignored. These initiatives were/are composed of participants representing quite different interests who interact directly over a period of time in an effort to resolve an issue in the community in which they live. The small scale and issue focus of a community-based initiative open up additional opportunities for citizens and officials alike to advance their common interest by integrating their separate interests if possible or balancing them, if necessary, through new policies.

Challenges

Developing new, or adapting traditional, system(s) of governance poses a series of substantial challenges. If we accept the different economies of sustainability (ecological economy, social economy, public economy, and private economy³), and if we accept that these economies define the ecological and social limits to achieving sustainability, our governance system(s) must be appropriate, effective and democratic.

These challenges pose opportunities, for example, for:

- (i) visionary, innovative and intelligent discussion of governance systems (at all levels) which might be appropriate for the new sustainable economy;
- (ii) research into appropriate systems of governance for new approaches to sustainable economies; and
- (iii) different types of partnerships and collaboration agreements between/among the various community-based interest groups.

³ Ikerd, J. 2005. Sustainable capitalism. A matter of common sense. Kumarian Press, Inc. Bloomfield, CT. 210 p.

The BC Institute of Social Ecology sees these challenges as among the largest and most difficult to address. What has been presented here is only a portion of the issues which have to be addressed.

Our challenge to you, the leaders and citizens of the various communities, is to begin this discussion.

We can provide you with a venue for distributing your message to all sectors of the community and beyond, and we can help you with any writing and editing needs you may have.

The important thing is to begin this discussion on a public scale – rest assured there are already discussions underway (behind closed doors) within different levels of government and within different interest groups.

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