

OUR ECONOMY: TOO MANY DOLLARS AND NOT ENOUGH SENSE

Introduction

Over the past thirty months, it has been frustrating to watch and listen to our leaders in government and industry as they flounder around the issue of our suffering economy. Part of that frustration derives from the false bravado now being espoused by these same leaders when talking about our economic recovery. Many leaders and citizens seem to be driven by a hope that things will indeed recover, i.e., return to the way they were two or more years ago.

There has been, and continues to be, so much uncertainty surrounding “the economy” that I no longer believe anything I hear from our leaders. Short-sighted and wrong predictions have become the norm; there has been very little concrete action to rectify the tough situation in which we find ourselves. The high level of inactivity begs the question: “Does anyone have any solutions? Does anyone truly understand our predicament?”

Issues

There is a need for straightforward, honest dialogue about our current situation, how we arrived here, and how we might best extricate ourselves. How straightforward and honest? Well, let me try and demonstrate:

- (1) **Our North American economy is wallowing in greed and corruption:** If there is any doubt that greed does not dominate our economy, think about all the white-collar crime we have witnessed over the past 2 – 5 years. It seems that the only goal of the money managers is to accumulate personal wealth, most of which seems to be untraceable. A good deal of what happens in many of the global trading markets appears to be not much more than a shell game, creating an illusion of wealth generation, but in reality, pushing us further and further into recessionary situations. We are hearing more and more about the rich becoming richer and the poor becoming poorer. It seems that capitalist economics has veered from its original ethical and social purpose and has become an amoral pursuit of economic growth at any cost. The prevailing attitude seems to be, “I want mine before everything is all gone.”
- (2) **We are no longer creating wealth in this country – we are creating debt:** When I joined the work force in the late 1950s, our economy was more of a ‘production’ economy, an economy trying to meet the growing needs of an increasingly affluent post-World-War-II society. The emphasis was on creating goods and infrastructure, things which would endure and which would meet the social needs of society. Those were our measures of success and progress. The last 50 years have seen vast growth in the production power of our economy and in the number of people in the middle class. A large effort has been expended to unleash the spending power of the middle class, with a resulting turn from a production-oriented economy to a consumer-driven economy. As consumers 50 years ago, we had no access to credit cards so we purchased those goods for which we could pay by cash or by cheque. Some merchants would create accounts (the original line of credit) for their customers to utilize when

cash levels were low. As access to credit increased, our economy turned from the goal of providing needed goods and services to improve the health and well-being of society to providing goods and services for luxury consumption ('wants' as opposed to 'needs'). We have seen a continuation of the growing economic power of the wealthy in our society, and the on-going consolidation of power and control into fewer and fewer industries and organizations. We have also seen the continued degradation of the economic status and well-being of the poor and homeless in our land. Our governments are in debt; corporate Canada is in debt; the middle class in Canada is in debt; and the lower classes in Canada are paying the biggest social and cultural cost.

- (3) **We have replaced conscience with the bottom line, the Almighty Dollar:** For many years we have tried to define the socio-economic benefits of development and growth, and, for convenience, lumped the words "social" and 'economics' into one. When one tries to define the socio-economic benefits of a particular development, in almost all instances, these benefits are economic. The assumption is that, if there are economic benefits (e.g., jobs, jobs, jobs!!) to a particular plan, management decision, or development, everything else is just fine. In other words, everyone benefits. After all, the number of jobs has increased; our GDP has increased; capital is available for the development.

Despite all these 'improvements,' the number of homeless is increasing, the number of hungry children is increasing, and there is irrational resistance on the part of the present government and some industries in British Columbia to paying a decent minimum wage in British Columbia.

Increasing per-capita income, particularly in those communities which have a large seasonal and transient work force (e.g., oil and gas exploration), can result in significant social and health concerns: e.g., increased visits to emergency services, increased levels of drug and alcohol use, and increased cases of assault and abuse.

- (4) **Seventy percent of our economy is consumer spending: sustainable?** As we have seen globally, consumers are losing their confidence in their "economies" and their spending power. Faced with the prospects or reality of lost jobs, home foreclosures, and poverty, people around the world are more and more reluctant to spend their limited resources. Many households are back to determining needs instead of wants, finding ways to economize in every facet of their lives, and thinking about the future.

Will we ever see consumer spending rebound to previous levels? Perhaps, but one would hope not. Do we need the many dozens of models of automobiles, or the many dozens of different electronic entertainment toys? We need to overcome our fascination with this diversity and the status associated with these vehicles and toys and focus on meaningful values.

- (5) **We have an export-based economy and our traditional markets either do not want or cannot afford our products:** For better or worse, we have focused our trading energies on the United States and a few other nations. The United States is broke, they cannot afford our lumber, steel and auto products, and there is a significant conservative backlash in the United States to promote the "...buy American" attitude.

Canada in general, and British Columbia in particular, has been slow off the mark to develop solid markets elsewhere. Given the large percentage of our exports which are based on our natural resources, and given that we manufacture very little which is currently exported, our future as an exporting province/nation is a little clouded. Part of this clouded view has been fostered by Canadian natural resource industries which have been slow to grasp the need for change, the need to develop new products from our natural resources, the need for new and expanding markets, but which have been quick to increase the globalization and centralization of corporate powers.

- (6) **We over-value housing and property and under-value people:** Over the past thirty years, owning private property has been promoted as the best investment in the future. Real estate values will never decrease, right? Right, except during a recession or depression, as we have seen in the United States. But, as we have seen in British Columbia, particularly on the Lower Mainland and on southern Vancouver Island, our real estate market has been almost recession-proof.

The costs of owning a home these days are insane. Unless one has an income well into six figures, or a two-person income well into six figures, owning a home is unaffordable, even with extremely low interest rates.

Despite the booming real estate market in southern British Columbia, fewer young people have access to this market, and the number of homeless people and hungry children is increasing. To repeat, there is also continued governmental and corporate resistance to paying a decent minimum wage in British Columbia.

- (7) **Are the traditional resource-based industries now sunset industries?** Over the past 25 years, the forest industry in British Columbia, particularly the coastal forest industry, has been talking about the need for change, the need to adjust corporate strategies, goals, and production systems to better suit the global market processes, and the ever-changing regulatory environment. We can add to that the need to meet the expectations defined by the goal of sustainability, and to better meet the public's expectations. Other than the building of two of the largest sawmills in the world in the north-central interior of the province, little has happened. Thus, our forest industry, particularly on the coast, is reeling.

In the interior of British Columbia, much of the accessible timber landbase has been impacted by the mountain pine beetle epidemic. Many mills are very busy these days cutting dead lodgepole pine. This source of cheap wood will not last forever. What adjustments will be required when the dead pine is no longer cost-effective to harvest and transport to the mills? What additional impacts will the processes of climate change have on British Columbia's forests?

Many of our industry and government leaders believe that things will "turn around" and ultimately "return to normal." Quite simply, I do not see this happening. So much has changed in the past 5 – 10 years, including industry's capacity to change, especially in areas (south coast) in which many communities have been impacted by mill closures. Those mills which have not been dismantled are generally old mills and will be expensive to re-open and re-tool. And no one seems interested in building new mills.

- (8) **We under-value food production systems and over-value processed foods:** We have relatively unlimited access to cheap foods imported from the United States, South American countries, China, and other countries around the globe. And it seems that the overwhelming desire for convenience has resulted in processed foods becoming a large part of our diet, for some people their entire diet. New processed-food products emerge each year at an astonishing rate – remember the ‘good ole days’ when all there was for breakfast cereals was porridge, cream of wheat, corn flakes, bran or rice crispies? When most of what we ate came from our family gardens? When we couldn’t afford processed (convenience) foods?

There has been a large-scale reduction in the number of farms and farmers in British Columbia and Canada over the past 40 years. Collectively, we have lost an appreciation for the agrarian perspective, so much so that we tend to not see agriculture and food production as the best uses of agricultural land especially close to urban centers. Many people have a profound disconnect between what they see on the grocery store shelves and the origins of what they see.

We no longer focus on consuming what our local environment will give us, 365 days a year. Areas, such as the Lower Mainland and Eastern Vancouver Island have the agricultural capacity to produce greater quantities of food than we currently do. But, we have also demonstrated a general reluctance to pay the costs of locally produced food, forcing many producers to sell to food processors rather than directly to consumers.

Also, the challenges associated with the current and potential impacts of climate change, inclement weather, and increasing energy costs on North American food production and delivery to consumers are surrounded by huge uncertainties for local food importers and retailers, local producers and suppliers, and the cost-conscious public.

The popularity of farmers’ markets at which consumers can buy fresh, nutritious, organically-grown vegetables and fruits, “home-made” items such as baking and preserves, and organically-produced meat indicates that local consumers are becoming more and more interested in local food quality and security.

- (9) **Regardless of how long we have claimed to practice sustainability in this province and country, we are failing miserably:** As we have seen over the past 23 years, since the Brundtland Commission defined and extolled the virtues of sustainability, a relentless quest for profits and the “bottom line” has created a huge and growing threat to civil society and our natural environment. We have begun to see some push-back from people who no longer trust forces, such as globalization, which have been touted as essential for competitiveness and sustainability.

The pollution entering our waterways, oceans and air-sheds continues to increase; greenhouse gas production continues to increase; the number of deaths annually from respiratory problems caused by or exacerbated by air pollution continues to increase; the number of biota (fauna and flora) facing extinction or becoming extinct continues to increase; we are in danger of losing our Pacific Coast salmon species; it seems the only way our coastal forest industry is capable of making money is by selling logs

offshore; and we continue to marginalize agricultural land and the agricultural community.

From my perspective, none of our leaders has shown any level of understanding of the concept of “sustainability,” what it is and what it requires, especially in terms of a social contract.

- (10) **So much of our economic planning is undertaken with little or no consideration given to social and cultural concerns:** It seems that so many sustainability strategies, decisions, and plans formed and implemented by governments fail to venture beyond the economic ‘bottom line’ and include an honest assessment of the social and cultural impacts of these strategies, decisions and plans. Economic factors, such as growth, increased or maintained GDP or GNP, per capita income, jobs created and maintained, and/or employment levels, are important tools with which to evaluate the performance of our economy but should not be its primary goals. That goal has to be the social and cultural health and well-being of our population.

Many people in North America will roll their eyes at this suggestion and consider it socialist, if not downright communist. But if we examine the fundamental principles supporting capitalism, we find that its proponents believed it to be the best way to achieve the health and well-being of our populations. In a country so dependent upon its natural resources and its people, isn't it obvious that economic sustainability is integrally related to ecological and social sustainability? Not everything can be defined only as “economic development.”

- (11) **Having our economy and political direction so closely tied to that of the United States is short-sighted and risky:** Developments in the last twenty years have made the challenge of finding space for Canada to maintain a necessary level of independence in the wake of the American juggernaut difficult: the “free trade” agreement, globalization, end of the cold war, 9/11, the war on terror (Afghanistan), and the war in Iraq. The huge power imbalance between the two countries is the central defining reality of the relationship explaining the obvious fact that, while Canadians' self-image is deeply influenced by our relation to our American neighbors, Canada barely registers on the American consciousness. Until we disagree openly with American policy or actions, or we beat them in hockey.

There are those who maintain that the United States will not recover from the current ills which plague them, primarily because the country is profoundly split politically and so heavily in debt. As one descends farther south from the US – Canada border, one encounters: (i) greater acceptance of the philosophy of political and economic isolationism, (ii) fervent and frequent expressions of nationalism, and “an eye for an eye” strategy in its foreign affairs, and (iii) increased resistance to multi-culturalism.

Is the USS Titanic sinking? Economically, probably not completely. But what will remain? Is it appropriate that so many of our life boats are attached to this floundering ship? Can't we begin to accept the fact that the United States owes us nothing and recognizes that? Do we not have leaders who understand the nature of Canada and Canadians and can provide some Canada-First leadership?

What role will countries, such as China, which own major portions of North America have in the future of the United States? And the rest of the global economy?

Many hours of reading, thinking and discussion have been devoted to what I have outlined above, and to what solutions I could suggest for developing a new economy. Before attempting to do that, there are other concepts and ideas around which I have tried to wrap my brain. For example, after listening to all the political rhetoric on the air waves, I have found that I have some confusion as to what constitutes “the economy” to which our leaders refer.

What is an ‘Economy?’

My Concise Oxford Dictionary told me that “economy” is defined as: (i) (*administration or condition of*) resources and concerns of a community; and (ii) frugal usage of resources. These definitions do not help me at all.

How about this definition: An economy is a living organization, defined as “a complex structure of interrelated elements whose relationships and properties are largely determined by their function within the whole.”¹ I like the idea of an economy being viewed as a living organization, and an integral part of a social system.

Ikerd adds also: “The generic purpose of any economy is to provide a means of facilitating functional relationships among people and between people and their environment. Economic relationships, as with organizational relationships, can be dependent and thus exploitive, or can be interdependent and thus synergistic.”¹ As we have seen over the past 50 years or so, the economic industrialization we have initiated on our planet has moved solidly into the camp of exploitation.

With such a lack of clarity in my mind about what an economy should be, I am having difficulty also with the concept of developing a new, sustainable economic system.

Sustainability

In today’s economy dominated by multi-national corporations, there is little investor tolerance of environmental stewardship whenever it butts up against the corporate bottom line – as is the case with extractive production industries and processes. In a society trained to believe in an old paradigm, i.e., quality of life depends on unfettered economic growth, the ethic of stewardship has struggled to survive. Without a global commitment to environmental stewardship (and, thus, sustainability), our corporately-dominated, industrial economy will continue its relentless exploitation of the natural environment. And governments are doing their best to stay out of industry’s way.

I (and many others) maintain that our success with sustainability depends on the creation of a new culture, one dedicated and committed to caring for each other and caring for the earth, to maintaining interdependent relationships with each other rather than a culture committed to exploitation and degradation. Let us look to our aboriginal cultures around the world for some advice.

¹ Ikerd, J.E. 2005. Sustainable Capitalism. A Matter of Common Sense. Kumarian Press Inc. Bloomfield, CONN. p. 53

I do not believe that sustainability can be achieved by cosmetic measures, e.g., fine-tuning industrial development, improving the efficiency of resource use, reducing wastes, substituting resources, or developing new technologies. These measures, in my opinion, may slow, but cannot stop the inevitable result of resource depletion and environmental degradation.

Is it obvious to anyone else that the fundamental principles of industrial development in Canada are in direct opposition to the principles of sustainability?

Economy, Environment, and Social Well-Being and Culture

Sustainable systems must be regenerative; i.e., they must be capable of maintaining their productivity and usefulness indefinitely. Living systems, being inherently regenerative, possess the only logical means of countering the inevitable tendency of all non-living systems toward decay and self-destruction (i.e., entropy). The new economics of sustainability have to be based on these same principles, because only living systems are capable of self-renewal and regeneration, and we cannot survive without these living systems being healthy.

I keep hearing that an increasing number of decision-makers and managers are coming to believe that economics is no longer a living discipline – it has been killed by neoclassical economists. Economics is no longer considered a social science by many observers because it has become a non-living, mechanical science. Contemporary economics apparently has become reductionist and static, focusing on taking systems apart to gain knowledge of the whole by understanding each of its parts. Such analysis inevitably leads to the development of dynamic economic models, with the theories behind economics, however, dependent on static paradigms.

On the other hand, living systems are holistic, dynamic, and continually changing.

Such analysis also is based on the assumption that the structure of economic systems remains constant. Don't we have to accept the fact that such statistical conclusions, even when appropriate and relevant to some economic structure of the past, may have little relevance to economic structures of the present or the future? From what I have heard over the past 24 months, economic generalizations are inherently limited in scope, restricted in nature, and essentially lacking in credibility.

Current industrial/economic development has generated many material benefits for humanity. These benefits have come, however, primarily from resource extraction and exploitation, rather than from sustainable production. As long as human and natural resources were plentiful and productive, the consequences of resource and human exploitation were easy to ignore. After decades of exploitation, we see that the sustainability of both the natural environment and civil society is on tenuous ground. As long as we maintained a strong sense of community and held solid ethical and moral values, the negative impacts of resource exploitation and environmental degradation could be minimized, mitigated or ignored. But after decades of intentional dismantling of social and ethical constraints to the pursuit of individual self-interest, the negative impacts of dead thinking in a living society have become clear.

Nearly all the ecological and social problems facing our societies today are the direct results of the extraction and exploitation of natural resources driven by maximum, short-term economic gain. Social and moral decay is a direct result of the unethical exploitation of the economically weak by the economically powerful.

Conclusion

The main conclusion I have is that we need a new, sustainable economy which must be designed and operated as a living system. This means a meaningful physical infrastructure of specific patterns of economic and social relationships, with those relationships existing among living entities. Economies are created by societies to meet the needs of societies, and societies are made up of people (workers, consumers, citizens). People are living beings.

The paradigms of neoclassical economics are quite simply not appropriate for managing systems made up of people, societies, and natural ecosystems. And non-living paradigms are certainly not appropriate for dealing with uniquely human issues, such as values, culture, equity, justice, ethics, and morality.

Will the development and implementation of a new economy be a straightforward, easy process? No. I would expect that such a process would be resisted, in many cases somewhat vehemently, by senior levels of government, corporations and industries, and the consuming public. We cannot expect any leadership from governments, corporations and industries because the new economy will require substantial change in the way governments and corporations do business. Leadership must come from citizens, communities, and associated organizations.

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