

## SUSTAINABLE ECONOMY V

### 1. ECONOMIES OF SUSTAINABILITY

#### Change Needed in Economic Philosophy

The first priority in managing an economy is to change one's world view from that of the economic individual in isolation to that of the person in society and in nature. The second priority is to accept the fact that the persons managing the economy are inherently part of the economy, and, thus, management choices are inevitably personal and subjective. The most important issues affecting economic sustainability concern social values and moral judgments regarding how people should relate to each other and to their natural environment. Economists, if they are to be relevant, can no longer disassociate themselves from questions of equity and ethics because they are an integral part of the social and ecological economies they are studying.

The economics of sustainability addresses the issues of sustainable development from a deep philosophical perspective. Ikerd (2005)<sup>1</sup> has defined sustainability as a long-term, people-centered concept. His rationale is:

*"...our individual well-being is integrally related with the well-being of the entire human society, with all other living species, and with nonliving elements of our natural environment. However, if we humans were not concerned uniquely with sustaining the quality of human life, there would be no economic issue to be addressed. The economy is a human creation, and economics addresses the allocation of scarce resources to meet the needs of humans."*

While I agree with the notion that the economy is a human creation, I disagree with the concept of sustainability being only people-centered. I consider sustainability to be an *ecological* concept which defines the limits within which humans may live, reproduce, enjoy ourselves, and develop economies which do not deplete the natural (ecological) capital or the human capital while at the same time maintaining a desirable quality of life for people, of current and future generations. Our interests as members of our particular societies and of the human race are integrally linked with the integrity of the rest of the biosphere. As long as we need to breathe clean air, drink clean water, and nourish ourselves with good food, we must recognize that our survival is totally dependent upon all living systems and their constituent species. We cannot operate under the assumption that any other species are disposable. Our economy cannot exceed the carrying capacity of the ecosystems or landscapes to absorb the resultant impacts (e.g., resource depletion, pollution and waste). Thus, our self-interest may be best served through sharing and stewardship, including preservation of other species rather than through expressing our strong urges for immediate self-gratification. We must reduce our claim on earth's resources so that all living systems and species can survive.

The new sustainable economy may be viewed as a whole composed of three inseparable economies – the individual or private economy, the social or public economy, and the ecological

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<sup>1</sup> Ikerd, J. 2005. Sustainable capitalism: a matter of common sense. Kumarian Press, Inc. Bloomfield, CT. USA.

(natural) or moral economy.<sup>1</sup> Each of the three economies is distinct, but is clearly interconnected with and inter-dependent upon each other.

### **The Ecological Economy**

The ecological economy is the basis upon which the other two economies rest. All individual economic resources are either ecological or social in origin. All material economic resources, such as minerals, chemicals, gases, fibers, foods, etc., are products of the Planet Earth. All human economic resources, such as labour, management, entrepreneurship, creativity, determination, etc., are products of human society, which is also inherently dependent upon Planet Earth. The sustainability of the individual economy, e.g., that of British Columbia, depends upon the health of the social and ecological economies.

Planet Earth also contributes to the economic value of goods and services in ways which have not been considered in the marketplace, i.e., that which is called ecological services such clean air, clean water, ample water, nutrient flows, pollination, fertile and productive soils, land, and waste assimilation. Such services are basically overlooked or ignored until they are in short supply or threatened through pollution, for example. Many of us have lost sight of the fact that in our highly specialized, industrial economy, we cannot exist without the natural resources of Planet Earth. Without the mineral and biological resources of Planet Earth, life here would be impossible. Virtually all life arises from the soil, just one of the many under-valued yet necessary resources of the ecological economy.

We rely on plants to convert solar energy, water, CO<sub>2</sub>, soil and aquatic nutrients into forms of energy which can be consumed by animals and humans. The energy to fuel our bodies comes from the energy stored by plants and animals. All the energy present on Planet Earth today was either stored in the earth at the time of formation (including fossil fuels) or has been captured by the sun and stored since then by living organisms. The ecological capital of Planet Earth is made up of the existing stocks of available and stored energy and the inter-connected web of life by which solar energy can be collected, transformed, and stored. When we pollute air or water, poison the soil with chemicals, or allow the soil to erode, we are destroying ecological capital. We say that we throw things away but there is no 'away' other than the natural environment. Some things we throw away could be reused or recycled, thereby turning wastes into useful resources and economic gain.

The sustainability of human life on Planet Earth depends on our willingness and ability to re-examine and re-define our relationships with each other and with the Planet. The ecological economy is about the rightness of our relationships with the Planet Earth and with each other, and constitutes part of the moral and ethical economy.

### **The Social Economy**

The social economy deals with the connectedness of people within society. The purpose of the social economy is to facilitate the building of a stronger society by encouraging positive personal relationships among people; in other words, to increase or sustain social capital. Social capital is reflected in the ability of people to: (a) relate to each other; (b) form families, communities and nations; (c) agree on processes of governance and trade; and (d) define shared principles and values which are essential for any civilized society. While our current stocks of social capital have been built up over centuries by past human civilizations, there is growing evidence that we are depleting our stocks of social resources at a rate far in excess of our rate of social

regeneration. Our social resources are at least as important as our ecological resources in supporting and sustaining a desirable quality of life.

If human civilization is to continue to advance, we must learn to conserve and continually rebuild our stocks of social capital. A sustainable economy must also encourage and support continual social investments by encouraging the formation of new and more positive personal relationships. Stocks of social capital must be built at rates exceeding their natural rates of depletion, plus rates of any unnecessary exploitation.

### **The Private Economy**

The individual or private economy is by far the best understood and most widely appreciated of the three economies. The private economy provides the means by which we meet our needs as individuals and collections of individuals, through our transactions with other people and with our interactions with our natural environment. The macro-economy (an aggregation of individual enterprises) is a separate aspect of the private economy. Macro-economic policy plays a legitimate and important role in the function of the individual economy but it does nothing to sustain or support the social or ecological economies. Current macro-economic policies, in reality, promote degradation and accelerate depletion of both social and ecological capital by promoting maximum economic growth.

The private economy converts both ecological and social resources into economic resources. Natural resources which were once owned in common and used for the benefit of all are converted into private goods for sale to the highest bidder. Social resources are extracted from society through employment, collaboration, or negotiation and are converted into economically valuable human resources which produce goods, provide services, or make deals. Social resources which once supported positive personal relationships among people are converted into labour, joint ventures, and commercial advantages, all commodities for sale to the highest bidder.

The private economy is an important dimension of any modern society. The conversion of ecological and social resources into economic resources is both necessary and legitimate if our level of living is to exceed subsistence self-sufficiency and if we are to have sovereignty in our decisions. But, we must realize that: (a) whenever we use the private economy to extract from nature at rates faster than nature can regenerate, we are degrading the productivity of the ecological economy and we ultimately will degrade our overall quality of life; and (b) when an individual economy extracts social resources at rates faster than it reinvests in building trust, integrity, and civility, it degrades the productivity of its social economy and will ultimately degrade our overall quality of life.

### **The Complexities of Sustainability**

An economy is a complex system with many significantly inter-related elements and feedback mechanisms. A sustainable economy is inherently complex and hierarchical in that it integrates the individual, social and ecological economies into a harmonious whole. Individuals are forced to rethink the conventional wisdom of 'more is better,' and to search for success through harmony and balance among the individual, social and ecological aspects of their lives.

Sustainable economies are hierarchical in a systemic sense in that the individual economy is a sub-system of the social economy which in turn is a sub-system of the ecological economy (see Sustainable Economy II: Sustainability Models). The most difficult challenges in managing a

sustainable economy are likely to arise from the integration of the economic, social and ecological dimensions in order to maintain a positive, dynamic balance or harmony among the three.

Ecological *oikonomia* is a matter of stewardship, with one generation ensuring equal opportunities for future generations as a matter of ethical or moral principle. Challenges arise when issues have important economic, social and ecological dimensions, especially at the margins or the interfaces among the three. We must be cognizant of the reality that the private economy can either enhance or destroy the civility of society, and that society can enhance or destroy the health of the natural ecosystem. So, the private economy limits the possibilities of the social economy and society limits the possibilities of the ecological economy. Thus, an inter-dependent relationship exists among the three – none can survive independently of the others.

Ecology presumes there are inviolate laws of nature which define a higher order which gives purpose to humanity and within which all else, including human society, ultimately must function in harmony. An economy is a creation of human society and its purpose is to meet the needs of that society. In addition, society sets, or chooses to accept, the rules by which its economy functions. Thus, there is natural complexity hierarchy among ecosystems, social systems, and economic systems. Violation of this hierarchy is neither impossible nor uncommon, but continual or serious violations, quite simply, are not sustainable.

Compiled and synthesized by:

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