

Economics for a Shrinking Planet

The case for a new economic framework

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Humankind has arrived at an unprecedented point in its history. After centuries of ramping up our economic production and increasing our ecological impact on the planet, we are now compelled to reverse course. Although skeptics remain, it has become clear that the expansion of our environmental impact cannot continue much longer.

This was brought home forcefully to many people in early 2004, when a Pentagon study on the security implications of climate change was made public. Although initial newspaper accounts were overblown, the study's contents were sobering. The authors concluded that the earth's carrying capacity was under serious threat. After considering an extreme but plausible climate change scenario, they projected a sharp drop in this carrying capacity, resulting in military confrontations over energy, food, and water.

At critical times like the current one, we need a new set of concepts to comprehend the novel situation. Samuel P. Huntington, for example, has offered a fresh way to look at global politics in his book, "The Clash of Civilizations and the Remaking of World Order." His thesis is that, in the post-Cold War world, the most useful way to view the international landscape is through the lens of contending civilizations, such as the Western, Islamic, and Chinese.

Huntington's book has been badly misinterpreted, and he may or may not be right, but his work illustrates how a historical shift can spawn an alternative set of concepts for organizing our thoughts and strategizing our actions.

The end of the Cold War, however, was a mere historical shudder compared to the end of physical economic expansion. Consider that world population is projected to increase until about 2050, when over nine billion of us will inhabit the planet. Providing houses, refrigerators, and automobiles for everyone will surely not be feasible for ecological reasons, while expecting much of the globe to live in poverty is surely unethical.

If the transition to a post-expansory world is to be achieved without collapse and chaos, we must begin by finding a new way to think about our economic activities. The question is: where is the "Huntington" of economics? Where is the conceptual framework that allows us to think about production and consumption in a way that encourages moderation, respects limits, and points the way to ethical distribution?

I have been searching for such a framework for over a decade. The bad news is that I haven't found it. The frightening news is that, to the best of my knowledge, no-one within the economics profession is even working on it. Unless this intellectual landscape changes quickly, humankind will move into a perilous future without effective conceptual guidance.

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Why have economists not risen to this challenge? The main reason, I think, is that their discipline is more difficult than the others. It is not more complex than physics or biology, but its subject matter includes economic production, a social realm suffused by class and power. An economist seeking to serve humankind must not only be a competent analyst, he or she must also escape the social and intellectual restrictions imposed by ideology. This combination is rare.

Over the course of its history, mainstream economics has become tightly coupled with the needs of capitalists. Those needs have been both analytical (how do we maximize revenues in the market?) and ideological (how do we justify profits to workers?). This co-evolution can be justified historically: capitalism has permitted humankind to sharply increase its well-being, and mainstream economics has played a central role in this process.

But significant problems arise when historical circumstances change, as they are changing now. Economic concepts that were useful when the planet was clean and resource-rich are becoming obsolete. Alignment with the powerful becomes a detriment when the interests of rich and poor diverge, as they must in a world of constrained economic growth.

Let me suggest a way out of this quandary.

First, we must reject the common but erroneous assumption that economic thought has focused on humankind, thereby ignoring nature. It is much more accurate to state that economic thought has focused on business interests, thereby ignoring both humankind and nature.

The proper response, I believe, is to put humankind at the center of economics. Because humankind and nature are tightly interconnected, as environmentalists correctly assert, concern for humankind entails concern for nature. By analogy, if you care for a pet fish you will automatically clean its tank. A "tank-centric" approach to fish ownership, analogous to a "biocentric" approach to economics, is unnecessary.

Second, we should listen to Narendar Pani, Senior Editor of The Economic Times in Bangalore, India. In his book, "Inclusive Economics," Pani makes the case that we have enough theories to analyze what is actually happening in an economy. Our problem is to decide what should happen - that is, to establish an economy's legitimate goals.

The way forward is thus for economists to surmount the ideological hurdles they face, and then to join other progressive thinkers in developing a goal-oriented conceptual framework that has humankind at its core.

This framework would permit policy-makers, the public, and economists themselves to set broad objectives for an economy and to evaluate economic outcomes. Existing economic theories would be retained, but their usefulness would be assessed according to their contributions to these objectives. The overall aim would be to move the global economy rapidly towards equity and ecological stability.

Frustrated by the lack of progress within the official world of economics, I have begun formulating this framework myself. My core idea is that value and cost - the two most fundamental concepts in economic thought - must be expressed in terms of human health rather

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than money. If we proceed rigorously from this foundation, we can create a set of economic concepts and tools that meet our analytical requirements.

Health was chosen because it corresponds most closely to the common understanding of "human needs," a term used by many environmentalists to identify an economy's aim. The Charter of the Global Greens, for example, states that we should strive for "a world economy which aims to satisfy the needs of all, not the greed of a few." Health happens to distinguish nicely between needs and greeds.

As well, health directs our attention to the interests of the global poor. Many of us live in developed countries, where it is easy to forget that the primary function of an economy is to satisfy basic human requirements. This consideration cannot be left to our sometimes fickle compassion - it must be built into our theoretical structure.

Health has another critical advantage: it can be objectively assessed. Life and death, injuries, and the presence and absence of disease are all measurable results of economic activities. This means that, if adequate statistics are available, such results cannot be hidden behind the standard smokescreens of choice, preference, and money.

If we extend our concern into the future and focus on the long-term health of the human species, then health also implies sustainability. Future human generations will achieve healthy lives only if they have adequate natural sources and sinks to run their economies. To ensure this future health, the current generation is ethically driven to minimize its resource consumption and waste expulsion.

In his book, Huntington warned that frameworks are indispensable for rational thought and action: "... we may deny the need for such guides and assume that we will act only in terms of specific 'objective' facts, dealing with each case 'on its merits.' If we assume this, however, we delude ourselves. For in the back of our minds are hidden assumptions, biases, and prejudices that determine how we perceive reality, what facts to look at, and how we judge their importance and merits."

Huntington was addressing the habits of thought accumulated over the 45 years of the Cold War. His observations apply with much greater force to a new economic framework, which must re-orient the habits of thought accumulated over centuries of lusty expansion.
