

# **The Ethics of a Sustainable Economy: Implications for Public Policy**

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**Dr Robert Howell and Dr Wayne Cartwright  
Presented by Wayne Cartwright**

## Acknowledgement

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This publication is available in print and in pdf at [www.phase2.org](http://www.phase2.org).

# **Present Human Ways of Living are Unsustainable – in New Zealand and Globally**

Unsustainability is a condition of ecosystems and ecosystem services.

Ecosystems are complex interrelationships between living organisms (including human beings), atmosphere, soil, and water systems.

Ecosystems services are provided by ecosystems and many are essential to human life, society and our economies. They absorb pollutants from human industry and consumption, and are core to production of our food, natural fibres, and some of our energy.

# **Present Human Ways of Living are Unsustainable – in New Zealand and Globally**

New Zealand is unsustainable within its sovereign territory because many ecosystems involving soils, rivers, lakes, and the ocean are being degraded continuously by human activity.

This is also the global pattern, with many places having more severe degradation.

Further, New Zealand has a high per capita contribution to the unsustainable degradation of the Earth's atmosphere and oceans.

# **Present Human Ways of Living are Unsustainable – in New Zealand and Globally**

Unsustainability is a vicious circle. The more human living degrades ecosystems, the less able they are to meet human demands for their services, and so they degrade them further, and often faster.

If it continues in this way, human civilisation as we know it will disintegrate because the ecosystem services upon which it relies are no longer available.

Currently, this is the future for humans on Earth – a dismal prospect indeed.

# **Economic Practices and Unsustainability**

Present human society - in New Zealand and globally - attaches overwhelming importance to economic outcomes and the social wellbeing that is assumed to arise from economic output.

Environmental outcomes are accorded much less attention and even this is grudging.

## **Economic Practices and Unsustainability**

This priority ranking is a human delusion because it is the reverse of the way that the complex systems of Earth actually work.

Everything – including all human activity – occurs within complex natural systems (the biosphere). Human societies and their economies lie within the biosphere and are an integral part of the ecological systems of Earth.

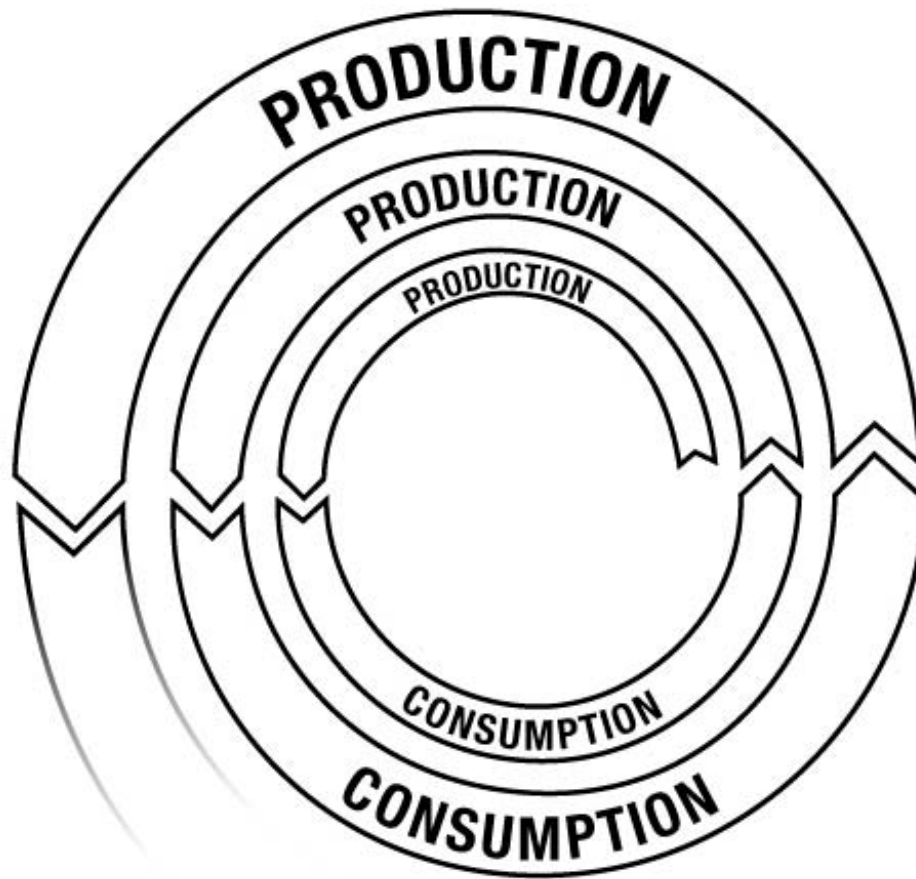
## **Economic Practices and Unsustainability**

The delusional version of the place of the economy in the systems of the planet leads to a theory and practice of economics that assumes that perpetual growth is feasible.

This is the view of the economy held globally by most economists, business managers, and politicians. The public follows their lead.

The following model illustrates this assumption, which is false.

# Standard (Growth) Economy Diagram (derived from model by Daly)



## **Economic Practices and Unsustainability**

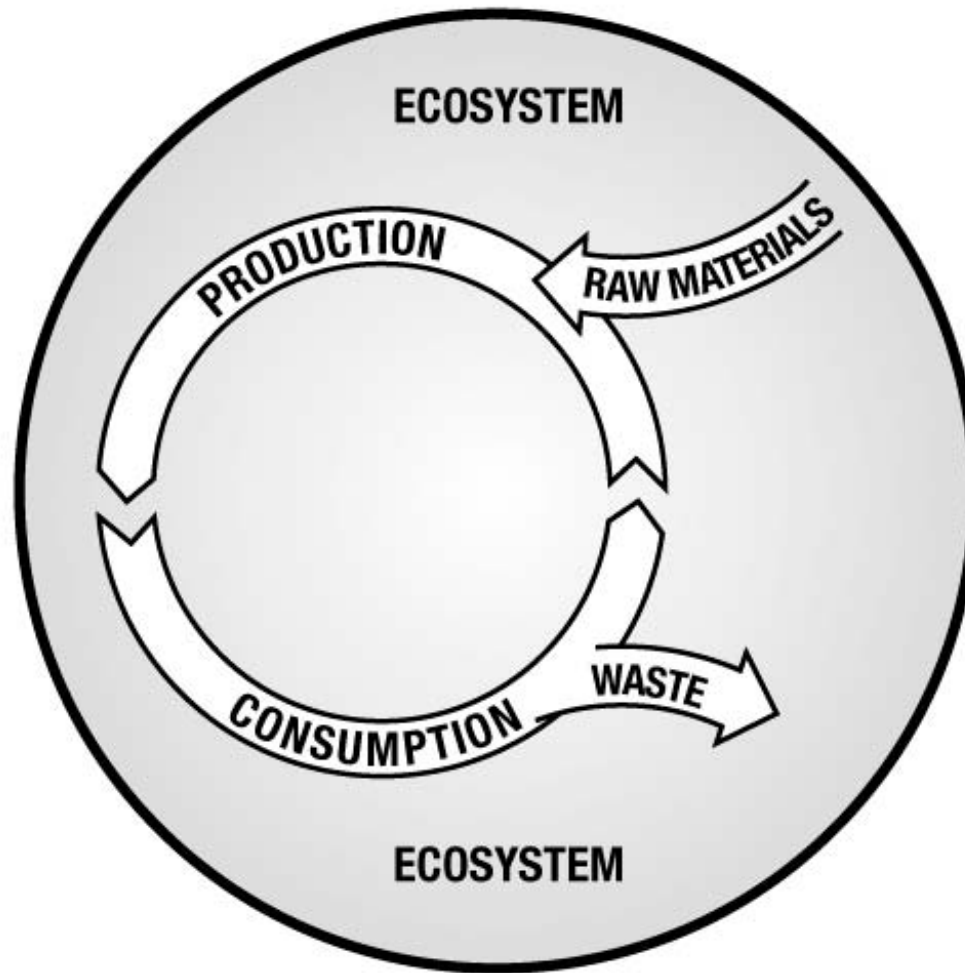
In stark contrast, the scientifically correct view of the place of human affairs in planetary systems leads inevitably to the need for a steady state economy.

The current approach to economics – in New Zealand and internationally – denies and rejects this truth.

One outcome of this denial is unsustainability and the current path to human catastrophe.

The following diagram illustrates a steady state economy.

## Steady State Economy Diagram (derived from model by Daly)



# Economic Practices and Unsustainability

Mainstream neoclassical economic reasoning has four attributes that orient human society towards ecologically unsustainable behaviour:

The first destructive attribute is the belief that that perpetual economic growth is intrinsically good, even essential.

*This is actually impossible because the biosphere has finite limits, some of which have already been reached.*

The second destructive attribute is the assumption that humans are separate from nature and are therefore free to exploit it through economic activity.

*Actually, people are part of nature. Through exploiting and damaging nature they are damaging themselves.*

## Economic Practices and Unsustainability

The third destructive attribute is the concept that individualistic self-serving human activity brings best outcomes for individuals and for society as a whole.

*The reverse is true. To function as responsible members of the ecosystems of which they are a part, humans must act in the knowledge that they are interdependent with each other and with the natural systems of Earth.*

## **Economic Practices and Unsustainability**

The fourth destructive attribute is the concept that human wellbeing is best served by individual or corporate ownership of resources and assets, and allocation of these through competitive markets. While effective in many ways, these market mechanisms of economics are fatally flawed. Most of the ecological systems upon which humans depend are in the commons and are therefore ignored by the market systems of current economics.

*Markets offer no guidance for the maintenance of essential ecological systems or for the allocation and utilisation of the services provided by them.*

# Strong Sustainability

Strong sustainability is the prerequisite and foundation of any human development, whether social, economic or technological.

Strong sustainability means the preservation of the integrity of all ecological systems in the biosphere.

Ecological integrity means the ability of an ecosystem to recover from disturbance and re-establish its stability, diversity and resilience.

A strongly sustainable human society lives and develops as an integral part of ecosystems that have ecological integrity.

Strong sustainability can exist only when underpinned by appropriate ethics and values.

# The Ethics of Current Economic Practice

Current economic practice cannot align with strong sustainability because:

1. It relies on a utilitarian ethic and values resources according to a system derived from Lockean social contract theory.
2. Neither of these value systems considers adequately the human-Earth relationship that is essential for sustainability. Together, they are individualistic, anthropocentric, and ignore human interdependencies. Further, they consider the value of land and natural resources only in instrumental terms and ignore the interdependencies between humans and ecological systems.

# **Ethics of a Sustainable Economy**

A shift to sustainable human living and - within this – a sustainable economy will require a quite different set of ethics.

The key notions will embrace both human-human and human-Earth relationships, and will include the concepts of reverence, respect, intrinsic value and integrity.

Nature will be valued through citizens knowing that their society and its political economy are integral and interdependent components of nature and the biosphere.

People will know that they are personally and collectively responsible for their impact on the integrity of all ecosystems in the biosphere.

## **Ethics of a Sustainable Economy**

The deep interdependence of all people will be affirmed, along with robust community values such as mutual respect, fairness, cooperation, gratitude, compassion, forgiveness, humility, courage, mutual aid, charity, confidence, trust, courtesy, integrity, loyalty, and respectful use of resources.

Current measures of economic performance (such as GDP) will be replaced by measures of community wellbeing and the integrity of ecological systems. Together, these measures will reflect the great importance on non-material sources of wellbeing and happiness.

## Implications for Public Policy

*The implications for public policy are huge. The core element is the transition to a steady-state economy in the context of new ways of human living.*

New Zealand cannot do this in isolation but it can be a member of a group of nations that show the way.

The policies should focus on a 'package' that includes:

1. Establishing governance systems and laws that align with and facilitate the shift to strong sustainability.
2. Shifting from the paradigm of perpetual growth to an innovative steady-state economy.

## Implications for Public Policy

3. Ensuring that the economy as a whole, and each part of it, operates within the boundaries of sustainable 'ecosystems footprints' through a combination of targeted education, price signals, and regulation. Special attention is required in the fields of energy and land use.
4. Shifting from GDP-based measures of success to measures based on community well-being and happiness.

## Implications for Public Policy

5. Adjusting to major declines in some sectors and industries, encouraging reinvention of others, and incentivising new growth sectors as the economy adjusts to the drivers of change and to the requirement for sustainable ecosystem footprints.
6. Ensuring that jobs lost from unsustainable industries and overall slow/no growth are compensated by new sustainable growth sectors and revitalised communities.

## Implications for Public Policy

7. Shifting from money creation as credit – a system that requires continual economic growth - to a money supply system consistent with a steady state economy.
8. Aligning public and private investment criteria with a steady state economy and ecological sustainability.
9. Adjusting international relations to the principles of strong sustainability.
10. Aligning population management and immigration policy to the principles of strong sustainability.

## **Conclusion: The Transition Process**

Scenario analysis has shown that it is possible for New Zealand to shift from its current unsustainable path towards strong sustainability.

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However, the period available for doing this is very short. The longer the needed changes are delayed, the greater will be the hardship that lies in New Zealand's future.

If the delay is too long, or if mistakes are made, the shift will become impossible.

## **Conclusion: The Transition Process**

The shift to strong sustainability will require massive changes in our concept of quality of life, our economy, our communities, and our attitudes to nature.

Despite the urgency, many citizens will be resistant to shift until the need for it is far more apparent than it is at present. The discomfort of the unfortunate but now inevitable global changes caused by the unsustainable practices of the past and present will motivate acceptance of the need to shift.

## **Conclusion: The Transition Process**

The shift will require very strong leaders with skills different to those required at present. Their skills will span across politics and governance, local communities, science, and the new concept of economics. They will be adept at managing change.

The key aspect of the transition will be a major shift in societal ethics and values, as suggested. Without this, sustainable human living is not attainable.