

New economic models

Standard economics

Standard economic theory views economic activity in terms of money, human labour and human-generated wealth. Growth is seen as never-ending cycles of production and consumption. The environment is either ignored or treated as a limitless source of natural resources and a limitless sink for waste. Conventional measures of economic success such as Gross Domestic Product (GDP) include many activities that really should be considered as failures, e.g. the cost of clearing up oil spills.

Sustainability paradigm

The sustainability paradigm accepts that natural resources are limited and the environment cannot accommodate an indefinite amount of waste without catastrophic effects. This change of perspective is based on understanding that economic activity (production and consumption) is constrained by an environment and ecosystems with finite amounts of raw materials and limited capacity to assimilate waste. Some economists have recognised this and developed new metrics that reflect the amount of economic activity that is of real benefit, e.g. the Measure of Domestic Progress (MDP)¹.

Standard economic dogma claims that as the proportion of elderly people in the population increases, more and more young people are needed to support them, disregarding the fact that the young will eventually themselves become old. This plainly unsustainable, never-ending vicious circle needs to be replaced by a new approach which challenges present assumptions regarding work, retirement and dependency. We also need to throw out the dogma that an objective of endless economic growth is in the best interests of humanity.

Project evaluation

We need to change the way commercial and industrial projects are evaluated. Non-renewable raw materials should be treated as finite geological capital and therefore limited, rather than being valued simply at the cost of extracting them. We also need to get away from the emphasis on short-term 'economic gain' rather than investing in activities which will bring long-term benefit. The benefits of economic and cultural wealth which we now enjoy have been built on past investment and endeavour over many decades and, in some cases, centuries. It is completely inappropriate that the majority of commercial decisions now being made expect investment to be paid back within a relatively short period. If economic decisions continue to be made on such a basis it is inevitable that many of them will be against the best interests of future generations.

Ecological economics

Environmentalists and forward thinking economists are working to change the prevalent economic paradigm to one based on sustainability. Interesting examples have been published, for instance by the Centre for the Advancement of the Steady State Economy (CASSE) and by the New Economics Foundation (NEF).

Ecological economics aims to integrate human economics with the concepts of ecology, recognising that economic development is bound by the laws of physics and by the behaviour of natural systems. Having accepted that the human economy is constrained by the environment, greater emphasis on sustainability and preserving natural capital automatically follows.

New economic models, contd.

With this change in approach, it becomes obvious that endless growth of human economic activity is physically impossible on a finite planet. It follows that an endless increase

in human numbers is equally unsustainable and that, the higher the level of individual consumption, the fewer the number of people that can enjoy it in a sustainable manner.

Reference

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1 http://neweconomics.org/sites/neweconomics.org/files/Chasing_Progress.pdf