

Sustainable Wellbeing

Stephen Lewis introduces a new series to show that economics need not be a dismal science

We all know that many of the ecological and social problems confronting the world today are in large part a consequence of the way our economic system operates. Thus economics is of central importance. Yet the unfortunate fact is that the type of economics that has become dominant seems unable to contribute anything to finding solutions to the great questions facing humankind and the planet. Indeed, worse than this, economics is itself a significant part of the problem. This is both because it doesn't have much to do with how real economies and markets actually work, and also because it provides an ideological screen for rampant self-interested capitalism.

But there are many other types of economics. Some are relatively new, but others go back at least 200 years. Although they are very different, what they have in common is that they all try to understand the world as it really is and not how it theoretically should be, and unlike the current system of economics they do not ignore moral questions and issues of social, economic and ecological justice.

In this new series I have decided to ask some more holistic economists to contribute their views to show that economics needn't be a dismal science and could be part of the solution.

The first contributor is ecological economist Robert Costanza. Robert is co-founder and past president of the International Society for Ecological Economics, and was chief editor of the society's journal, *Ecological Economics*, from its inception in 1989 until 2002. He is also founding editor-in-chief of *Solutions*, a unique hybrid academic but popular journal (www.thesolutionsjournal.org). His transdisciplinary work integrates the study of humans and the rest of Nature to address research, policy and management issues over multiple time and space scales – from small watersheds to the global system.

Ecological economics has a long pedigree and is one proof of the fact that economics can be part of the solution rather than a significant hindrance.

Stephen Lewis is acting Commissioning Editor for this Economics series of articles which will appear periodically in future issues.

Robert Costanza outlines the parameters of a new economic paradigm

The world has changed dramatically. We no longer live in a world relatively empty of humans and their artefacts. We now live in a new geologic era known by some as the Anthropocene, a full world where humans are dramatically altering our ecological life-support systems.

Our traditional economic concepts and models were developed when the human population was relatively small and natural resources deemed abundant. So if we are to create sustainable prosperity, we need a new vision of the economy and its relationship to the rest of Nature that is far better adapted to the conditions we now face.

We are going to need an economics that respects planetary boundaries, that recognises the dependence of human wellbeing on good social relations and fairness, and that recognises that the ultimate goal is real, sustainable human wellbeing – not merely the endless growth of material consumption concentrated in the hands of a few. This new economics also recognises that the material economy cannot grow forever on this finite planet.

The time has come when we must make a transition. We have no choice. Our present path is clearly unsustainable. Paul Raskin, founding director of the Tellus Institute and the Global Scenario Group, has said: "Contrary to the conventional wisdom, business as usual is the utopian fantasy; forging a new vision is the pragmatic necessity."

What we do have is a very real choice about how to make this transition and about what the new state of the world will be. We can engage in a global dialogue to envision "the future we want" (the theme of the UN's Rio+20 conference), and then devise an adaptive strategy to get us there, or we can allow the current system to collapse and rebuild from a much worse starting point. Obviously, the former strategy is better.

To do this, we need to focus more directly on the goal of sustainable human wellbeing rather than merely GDP growth. This includes protecting and restoring Nature, achieving social and intergenerational fairness (including poverty alleviation), stabilising population, and recognising the significant non-market contributions to human wellbeing from natural and social capital. And to do this, we need to develop better measures of progress that go well beyond GDP and begin to measure human wellbeing and its sustainability more directly.

We need a new model of the economy based on the worldview and principles of ecological economics. Ecological economics starts by recognising that our material economy is embedded in society, which is embedded in our ecological life-support system, and that we cannot understand or

manage our economy without understanding the whole, interconnected system. It also recognises that growth (increase in size or scale) and development (improvement in quality) are not always linked and that true development must be defined in terms of the improvement of sustainable wellbeing, not merely growth in material consumption.

Finally, it recognises that sustainable wellbeing requires a healthy balance among thriving natural, human, social and cultural assets, and adequate and well-functioning produced or built assets. These assets are referred to as 'capital' in the sense of a stock or accumulation or heritage – a patrimony received from the past and contributing to the welfare of the present and future. Clearly our use of the term 'capital' is much broader than that associated with 'capitalism'.

These assets, which overlap and interact in complex ways to produce all human benefits, are defined as

- **Natural capital:** the natural environment and its biodiversity, which, in combination with the other three types of capital, provide ecosystem goods and services – the benefits humans derive from ecosystems. These goods and services are essential to basic needs such as survival, climate regulation, habitat for other species, water supply, food, fibre, fuel, recreation, cultural amenities, and the raw materials required for all economic production.
- **Social and cultural capital:** the web of interpersonal connections, social networks, cultural heritage, traditional knowledge, trust, and the institutional arrangements, rules, norms and values that facilitate human interactions and cooperation between people. These contribute to social cohesion, strong, vibrant and secure communities, and good governance, and help fulfil basic human needs such as participation, affection and a sense of belonging.
- **Human capital:** human beings and their attributes, including physical and mental health, knowledge, and other capacities that enable people to be productive members of society. This involves the balanced use of time to fulfil basic human needs such as fulfilling employment, spirituality, understanding, skills development, creativity and freedom.
- **Built capital:** buildings, machinery, transportation infrastructure, and all other human artefacts and the services they provide that fulfil basic human needs such as shelter, subsistence, mobility and communications.

Ecological economics also recognises that human, social and produced assets depend entirely on the natural world, and that continued taking from natural capital is therefore ultimately non-substitutable. Sustainability therefore requires that we live off the interest (sustainable yields) generated by natural capital without depleting the capital itself.

Balancing and investing in all our assets to achieve sustainable wellbeing requires that we pursue three dimensions in an integrated way: ecological sustainability, social fairness, and efficient allocation of resources. Ecological sustainability means that we live within planetary boundaries – within the

capacity of our finite planet to provide the resources needed for this and future generations. Social fairness means that these resources are distributed fairly within this generation, between generations, and between humans and other species. Efficient allocation means that we use these finite resources as efficiently as possible to produce sustainable human wellbeing, recognising its dependence on the wellbeing of the rest of Nature.

We have never had greater global capacity, understanding, material abundance and opportunities to achieve these objectives. This includes scientific knowledge, communications, technology, resources, productive potential, and the ability to feed everyone on Earth. However, we are not achieving sustainable wellbeing and indeed we are moving in the wrong direction at an increasing rate. For example, global greenhouse-gas emissions continue to rise, humanity is using resources much faster than they can regenerate, biodiversity is diminishing rapidly, most global ecosystem services are in decline, and inequality is growing. The United Nations has acknowledged that progress towards the Millennium Development Goals has stalled.

We will never achieve the world we want unless we change the current economic paradigm, which is a fundamental cause of the current crises. This paradigm, institutionalised at the Bretton Woods conference in 1944, was devised prior to an understanding of finite global resource limits and the emerging science of wellbeing. Without a new economic paradigm, we will continue down an unsustainable and undesirable path. The Bretton Woods system rightly considered a growth economy better than another world war, especially when the world population was relatively small. However, times have changed and it is now time for a new paradigm.

To make the transition to a just and sustainable economy will require a fundamental change of worldview or vision of what the economy is and what it is for. The new worldview is one that recognises that we live on a finite planet and that sustainable wellbeing requires far more than material consumption. This implies replacing the present goal of limitless growth with goals of material sufficiency, equitable distribution and sustainable ecosystems. It also implies a complete redesign of the world economy that preserves natural systems essential to life and wellbeing and balances natural, social, human and built assets.

The dimensions of this new economy include, but are not limited to, the following policies and changes:

A Sustainable scale – respecting ecological limits

- Establishment of systems for effective and equitable governance and management of the natural commons, including the atmosphere, oceans and biodiversity.
- Creation of cap-and-auction systems for basic resources, including quotas on depletion, pollution and greenhouse-gas emissions, based on basic planetary boundaries and resource limits.

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- Consumption of essential non-renewables, such as fossil fuels, no faster than we develop renewable substitutes.
- Investment in sustainable infrastructure, such as renewable energy, energy efficiency, public transport, watershed protection measures, green public spaces and clean technology.
- Dismantling of incentives towards materialistic consumption, including banning advertising to children and regulating the commercial media.
- Linked policies to address population and consumption.

B Fair distribution – protecting capabilities for flourishing

- Sharing of work to create more fulfilling employment and more balanced leisure–income trade-offs.
- Reduction of systemic inequalities, both internationally and within nations, by improving the living standards of poor people, limiting excess and unearned income and consumption, and preventing private capture of common wealth.
- Establishment of a system for effective and equitable governance and management of the social commons, including cultural inheritance, financial systems, and information systems like the internet and the airwaves.

C Efficient allocation – building a sustainable macro-economy

- Use of full-cost accounting measures to internalise externalities, value non-market assets and services, reform national accounting systems, and ensure that prices reflect actual social and environmental costs of production.
- Fiscal reforms that reward sustainable and wellbeing-enhancing actions and penalise unsustainable behaviours that diminish collective wellbeing, including ecological tax reforms with compensating mechanisms that prevent additional burdens on low-income groups.
- Systems of cooperative investment in stewardship (CIS) and payment for ecosystem services (PES).
- Increased financial and fiscal prudence, including greater public control of the money supply and



What is our economy doing to Nature? Illustration by Yuko Shimizu www.yukoart.com

its benefits, and other financial instruments and practices that contribute to the public good.

- Ensuring availability of all information required to move to a sustainable economy that enhances wellbeing through public investment in research and development and reform of the ownership structure of copyrights and patents.

The world is at a critical turning point. This turning will not come overnight, however. In fact, we are probably already in the middle of it. It will take decades. But it is a time of real choices. One scenario is to continue ‘business as usual’, pursuing the conventional economic growth paradigm that has dominated economic policy since the end of World War II. A second scenario

is an environmentally sensitive version of this model with an attempt to achieve “green growth” that is not so damaging to the environment. A third scenario – the one sketched here – is a more radical departure from the mainstream. It does not consider growth to be the real goal at all, but rather sustainable human wellbeing, acknowledging uncertainty and the complexity of understanding, creating and sustaining wellbeing. This scenario is the only option that is both sustainable and desirable on our finite planet. The substantial challenge now is making that transition to this better world in a peaceful and positive way. **R**

Robert Costanza is Chair in Public Policy at Crawford School of Public Policy, Australian National University, Canberra.