

Review of *Real-Life Economics*

Edited by Paul Ekins and Manfred Max-Neef (Routledge, 1992)

Whatever the issues grabbing the headlines, from the latest upsets inside the royal family to the bloodbath in Bosnia, the most important fact of our time remains the same—that human society is still on course for ecological suicide. Similarly, global poverty, the growing underclass within our own country and the relentless undermining of community well-being underline the need to think about, value and do things differently. Both economic theory and policy-making have been indicted for their failure to chart a route to a more sustainable way of living. *Real-Life Economics* sums up the work of many of those who have recognised the need for a new perspective on the production and distribution of goods and services.

Paul Ekins played a central role in launching the conferences that became known as **The Other Economic Summit** as well as the **Living Economics Network** while Manfred Max-Neef has been active in the formulation of alternatives to conventional development strategies. Together, they have edited a volume which brings together over thirty writers to challenge the assumptions of economic orthodoxy. The book is a series of readings, threaded together by editorial introductions. To some extent, this dissipates the overall argument. Nevertheless, there is much useful and thought-provoking material. The real problem with the 'New Economics' is at the extremes. On one side, it is not embedded in a coherent ecological worldview. At the other, it does not address with sufficient directness government policy of the here and now such as public spending cutbacks and further privatisation.

Though the word 'environment' peppers the text, *Real-Life Economics* does not start from the outer boundaries of the ecosphere and specific ecosystems and works inwards, deducing what is the carrying capacity for people and deriving equitable *per capita* consumption from what space/resources are available after the need to conserve biodiversity, fertile soil, potable water and clean air has been ensured. Revealingly there are only a few references to Herman Daly, the world's leading exponent of the relevant policy framework, that of the 'steady-state', while the most profound critic of the biophysical unreality of conventional economics, **Nicholas Georgescu-Roegen**, does not even make the bibliography.

Perhaps the explanation for this orientation is to be found in the ideological background of many of the contributors, a mixture of liberal humanism and reformed socialism. Not surprisingly, they are, in general, hostile to many of the institutions and lifestyles accepted by both the Brundtland Report and the Agenda 21, the 'action' programme of the late and not much lamented UNCED conference in Rio. Even here, the sheer stench of the present economic structures, from the burning of surplus food crops to the swindles on the Stock Exchange, does not flavour these rather academic pages.

The perspective is resolutely anthropocentric and the rights of non-human species received scant support. Most debate about biodiversity was about the loss of potential resources to satisfy human wants, not our responsibility to share the Earth with other forms of life. Yet, to date, the 'resourcist' approach has accepted the logic of sacrificing more parts of the biosphere if the cost/benefit calculations have deemed it expedient. Though there is much talk about 'sustainable development', it is not totally clear how it will differ from the 'sustained yield management' which, for example, has destroyed most old growth forest and their wildlife in regions like British Columbia and Scandinavia.

More generally, the vision of *Real-Life Economics* becomes blurred when it comes to the need to tackle global overpopulation (not just the Third World), slim down dramatically the overconsuming sections of the world (which, on an equitable basis, will have to make do with 80-90% less fossil fuel consumption in order to protect atmospheric systems) and phase out entire production processes (not just cap them with pollution filters). Overall, the world's problems are perceived primarily in terms of *mal*development. Indeed, many contributors seem to believe that it is still possible to combine increased economic output with a healthy environment, not least David Pearce, once touted as the government's green guru.

In fact, many contributors to *Real-Life Economics* seem trapped in the notion that we live in an open-ended system capable of more expansion. This is no more than a revival of the old dream of the perpetual motion machine and the belief that we can have our cake and eat it too. In real life, in a geologically finite, entropy limited and ecologically interconnected world, sustaining more of one thing means choosing to sustain less of something else. Every time a litre of oil is burned, less oil is available for future generations; every acre devoted to cereal production means one less acre available for another land use.

For a book subtitled 'understanding wealth creation', there is insufficient recognition that human production systems do not actually produce anything. What they actually do is to transform what they take from ecological systems to which the inevitable wastes generated by human activities must return. True sustainability requires a proportionality between human numbers and their artefacts, the 'technosphere', on one hand, and, on the other, the surrounding 'ecosphere', on which the technosphere is totally and inescapably dependent.

In toto, *Real-Life Economics* does not recognise fairly and squarely that the 'technosphere' has now grown too large. In other words, our crisis is a crisis of overdevelopment. Further attempts at more physical production, no matter how refined or regulated, can only be achieved at the expense of a lowering of the long-term capacity of environmental systems to sustain life. The primary task is to reduce the demand generated by that all important equation of human numbers, per capita consumption and the technological choices we make. Any economic theory or policy must be judged first and foremost in terms of its contribution to that goal. Only, at the end of the book, in the final contribution from Paul Ekins himself, does the volume begin to get to grips with what should have been its starting point.

Though, as the book emphasises, there are dramatic differences in consumption levels between individuals and social groups, what matters at the end of the day is the total impact of human society as a whole on the ecosphere and this is now unsustainable. The Ehrlichs, for example, estimate that already 'our one species has co-opted or destroyed some 40% of potential terrestrial productivity.' Coppinger and Smith estimate that, on present trends, by the year 2020 humans and their domesticated animals, particularly cattle, together will constitute 20% of the world's animal biomass. By 2050, at least 60% of all terrestrial animal biomass and 25% of all plant life would be composed of humans and a few domesticated species. Far from baking a bigger cake, such trends will destroy the very oven!

The basic fact of real life is that genuinely sustainable systems will be slower and smaller than today's superficially productive farms and factories. The sustainable cake will cater only for reduced demand. The reason is simple. Any stable system has to use a lot of what it produces simply to protect and maintain itself: there is less left over for other uses. An agriculture based on the cultivation of perennials, for example, would be much more ecologically sustainable than one that cultivates annual crops but its yearly food yield would be lower. It is true that there are areas where there is avoidable waste such as planned obsolescence and military expenditure which offer scope for a better use of the existing throughput. Beyond that, increased productivity is possible only at the cost of extra inputs and an increase in overall entropy in the system.

Forestry can illustrate how things must change. To conserve many species, sufficient old trees and snags must be left; to protect soil and water, felling must be done selectively; to maintain soil fertility, sufficient dead trees must be left to decay; to protect people and wildlife, toxic chemicals must be prohibited. Such criteria rule out certain practices and permit others. A real-life economics would be that mix of economic institutions and instruments that make such a system viable.

If the big ecological picture is lost in the book's clever equations and tables, the same applies to specific issues of economic management. Despite claims on the cover that 'mathematical formalism' is avoided, the bulk of the content still tends towards the abstract, avoiding more concrete matters. For example, readers expecting a ringing refutation of the assumptions underlying the folly of GATT-led trade liberalisation will be disappointed. Similarly, there is little guidance about issues such as the ERM, the role of private banking, privatisation, company law, the property market, public sector cutbacks etc. Even the recession and the feasibility of green ways out of it do not attract a great deal of interest in these pages. This divorce between theory and practice belies the holistic approach needed. New frameworks are of no use if they do not structure and suggest a policy agenda.

In terms of the form of a more sustainable economy might take, co-editor Paul Ekins calls for a 'progressive market' while elsewhere the case for 'popular planning' is explored. Perhaps what is missing in the discussion of the respective merits of the market versus state planning is a recognition that both bring equally bad effects if conducted via units which are too big. The use of economic tools such as environmental taxes certainly has its place. However, the focus of taxation should be at input stage not upon outputs of the economy. It should be moved from human labour and on to things. Pollution charges are a tool of much more limited value applied to the wrong end of the production/consumption process. An outline of a green 'budget' might have been useful.

The use of public regulations and compulsory standards is, however, even more important. An extremely palatable model of what can be done is the German purity law which has produced some of the best beers in the world. Such an approach is the simplest, fairest and

fastest way to ensure that processes and products become much more environmentally and socially 'friendly'.

The need for public intervention also applies to the management of land use. In some situations, nothing short of a prohibition of all further human encroachments will suffice. Conventional land use planning has been at best a damage-limiting operation. In the context of the land use saturation produced by overdevelopment, such planning loses even that limited rationale. Only a collective setting of parameters, on the lines of the ecological land use planning pioneered by Ian McHarg and others, will work. Similarly, there will have to be radical changes to our legal system which makes it extremely difficult to halt, let alone punish those guilty of abusing the environment, especially when the perpetrators are not individuals but corporate entities.

Redistributionist policies are central to sustainability. Indeed, recognition of limits to demands humans can place upon the environment makes the issue of democracy and equality more important in ways never imagined by traditional radical movements. One of the three key institutions for a steady-state economy envisaged by Herman Daly, for example, is a maximum ceiling on personal wealth. But, here too, *Real-Life Economics* somewhat fudges the issues with little discussion of ways to narrow wealth and income differentials, particularly within countries.

The economics of overpopulation is also given scant attention. Without stabilisation and then reduction in human numbers, all is lost. The situation is desperate. In Kerala, where there has been genuine social progress, the growth rate of the state's population has been cut to 1.7.% yet this will double the pressure from sheer human numbers in just 47 years. In all countries, we need positive incentives for small families and disincentives for those with more than two children. At least we need to explore what mechanisms can achieve the desired result. Evidence such as a return to larger families amongst the middle classes of industrialised countries (not to forget the impact of increasing lifespans) suggests that it is naive to assume that we have experienced a once and for all demographic transition.

All these weaknesses should not detract from the many points of value contained in *Real-Life Economics*. However it was published at roughly the same time as a new edition of Herman Daly's *Steady-State Economics* (Earthscan) and I would urge readers to turn there first. Of course, in today's culture, 'think shrink' is not exactly a popular slogan to engrave on one's banners. Yet the problems of presenting and popularising policy should be kept separate from the development of the right policies. Acceptance of the idea of 'sustainable contraction' is the precondition for the formulation of measures that really will solve the fast-escalating global crisis. Otherwise, we will chase the will o' the wisps of technological miracle workers and new financial mechanisms until one day, not too far away, it will be too late.

Sandy Irvine