Ethical and Environmentally Sound Economics: A Primer

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Abstract

This paper reviews the foundational axioms, principles, aims and instruments of the system of Green Economics. It ties economics to its ecological foundations, delineates a simple structure for the economy, investigates the relationship between resources, work, wealth and money. Equity is discussed in all its relationships, and capitalism and divergence between the fortunes of rich and poor are considered. Green economics is a new discipline and this is therefore an important moment in which to try to find an orientation and to try to produce a sketch map of the field. This paper is an attempt to provide a provisional plan. Its aim is to place the various elements of green economics into relationship with each other rather than to provide a detailed exposition or argument for each point.

Keywords: *Economics; environmentally friendly; ecological; axioms; structure; externalities; resources; equity; directed market*

INTRODUCTION

Economic man is fit, mobile, able-bodied, unencumbered by domestic or other responsibilities. The goods he consumes appear to him as finished products or services and disappear from his view on disposal or dismissal. He has no responsibility for the life-cycle of those goods or services any more than he questions the source of the air he breathes or the disposal of his excreta...Like Oscar Wilde's Dorian Gray, economic man appears to exist in a smoothly functioning world, while the portrait in the attic represents his real social, biological and ecological condition.

The world as we know it needs a new economics. Climate change, financial crisis and out-of-control globalization - all the major problems facing the world have their root in the dominant economic system. The globalised marketplace is the prevailing force in our lives, undermining the real importance of our human communities and our planet. Green Economics argues that society should be embedded within the ecosystem, and that markets and economies are social structures that should respond to social and environmental priorities. This highly readable text provides an introduction to green economics including views on taxation, welfare, money, economic development and employment through the work of its inspirational figures including Schumacher, Robertson and Douthwaite. It also explores the contributions and insights of schools of thought critical of the dominant neo-classical economic paradigm, including ecofeminism, views from the global South, and the perspective of indigenous peoples. Examples of effective green policies that are already being implemented across the world are presented, as well as policy prescriptions for issues including climate change, localization, citizens' income, economic measurement, ecotaxes and trade.

Green economics

Green economics differs from the prevailing economic paradigm as practised by politicians and taught in universities in three key respects. It has an innate concern for social fairness. For mainstream economics, "welfare economics" is an add-on, a tiny topic that is only peripherally studied. Equality and justice are central to the work of a green economist, taking precedence over issues such as efficiency. Many of the contributors to green economics have a background in development economics, and those who do not are equally interested with forging a global economy that meets the problems of all peoples equally. 2 Environmental activists and green politicians have created green economy due to their need for it. It has emerged from those who are constructing a sustainable economy in practice as opposed to from abstract theories.

3 Green economics is not yet an academic field with a significant presence in universities.

Ecology and economy are philosophically and etymologically interconnected. Eco- means home or habitat, -logy means research, and -nomy means administration. So, from a philosophical standpoint, they are sister disciplines: comprehension must undergird management, so ecology must undergird economics. In this approach, green economics merely returns economics to its proper logical foundation.

Ecology

Ecology is the branch of science that explores the distribution, abundance, and interactions of living organisms with their environment. As opposed to individual, linear, or isolated events, ecology defines the universe in terms of systems - assemblages of interrelated parts constituting a cohesive whole.

Economics

"Economics is the study of how society decides what and how and for whom to produce" (Begg et al., 2017). Economics strives to be a science, whereas the subject matter places economics within the social sciences that study and explain human behaviour. It describes how scarce resources are allocated between competing claims on their use. Economics' status as a science is subject to debate. Soros (1998) argues that as the subject matter of economics is thought, the thinking applied to the subject matter may affect the outturn of the process which is being considered. Therefore it cannot be classified alongside the more hard-edged sciences of chemistry or physics, where (aside from Heisenberg's Principle) the subject matter is not much affected by the presence of the observer.

Ecological economics

Ecological economics can be defined as the social science of the connection between human production, consumption, and the transfer of goods and services in relation to the physical processes of life-sustaining ecosystems. Positive economics describes what results from given assumptions, while normative economics prescribes a particular course of action. It is maintained that sustainable economics is unquestionably normative.

It is depressing to contemplate that the notion of unsustainable economics entails the eventual collapse of the current system. Perhaps because of this, some economics authors have a propensity to diminish the meaning of the term 'sustainable.

The fundamentals of green economics

Green Economics is proposed to be founded on three axioms:

- *It is impossible to expand indefinitely into a finite space.*
- *It is impossible to deplete an infinite resource forever.*
- *Everything is interdependent.*

The application of these axioms to economics should harmonise human actions with natural processes. Harmonize would imply that the human economic system will be able to nest peacefully inside the living ecosystem that surrounds and supports it, with a positive, dynamic, continuous, and reciprocal relationship between the two.

The structure of the economy

All economies are founded on natural resources. Conventional economics incorrectly classifies these as "inputs" and as an endless resource that may be utilized and discarded at will with no additional cost, price, or value. Green economics flips this entire system on its head. To facilitate comprehension, this essay will divide the economy into four tiers to highlight the relative positions of the natural world and human economic institutions.

The first rank of the economy

The first rank of the economy relates to producing from our environment the necessities of life, namely:

- Water
- Food
- Energy
- Shelter

Management of trash in a secure manner

In advanced economies, these processes are disguised and only assumed to exist; however, a closer look reveals that the economic fundamentals are compromised everywhere, in both developing and established economies. The water distribution system in the United Kingdom is deteriorating; food production is extremely demanding in terms of energy and pesticides, while also eroding the soil, which is the substrate for food production; and we are overly reliant on animal protein, which is inefficient in terms of land use and involves significant animal cruelty. Our energy use is both unsustainable and climate-altering, and we are poisoning the oceans with waste products that should be given to the land as fertilizer

All of these first-rank activities require being able to get to and use a certain piece of land. This is called the "ecological footprint," but as used here, the term must include the surface area needed to absorb waste, which is often left out. In a free and democratic society, everyone should have this access by birthright. In theory, each person has a right to a certain amount of the earth's surface. So, anyone who owns a piece of land should pay rent to the community in exchange for being able to use that land in a special way. This is why the Land (or Site) Value Tax, which is a core green tax, is based on this idea. It is also the philosophical basis for the Citizen's Income (see below), which shows how productive the land is by giving every citizen an income that can't be taken away.

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The appropriated carrying capacity is another name for ecological footprint, 'appropriated' signifying that it is claimed, captured or occupied. It reminds us that we appropriate ecological capacity for food, energy, waste absorption, etc. In industrial regions a large part of these first-rank goods are imported (Chambers et al., 2015).

Unfortunately, when these facts are considered in a human context, there is a clash with the human right of any couple to have as many babies as they wish. This clash between libertarian ideals and ecological imperatives belongs more to the realm of politics than economics, but it should be noted that the Green position is that the issue must be resolved through education rather than compulsion, and that a thorough understanding of the realities of population growth needs to be taught in schools.

The second rank of the economy

Distribution, trade, and the making of tools are all part of the second rank of the economy. They show that there is a society, not just one person living on his or her own, and that work is split up in some way.

The tertiary rank

The tertiary rank evolves in a complex society, comprising administration and public services. Public services ensure that adequate amounts of the first-rank items are available to all, in addition to health, education and welfare. It should be noted that human beings are social animals, and that therefore public services are a necessary and natural part of an economy

Money, wealth and resources

Money is a sign of worth, representing the ability to acquire real goods and services. Money has no inherent worth. Its objective is to facilitate the functioning of the economy, not to dominate it.

The enormous worldwide trade in money is inherently illogical, as it involves the exchange of a symbol rather than a commodity or a service. The suggested Tobin Tax (Mahbub ul Haq and Grunberg, 1996) on this trade, set at a fraction of 1 percent of transactions to be hypothecated to the world's poorest regions, would serve to stabilise this trade while reducing the disparity between rich and poor.

Theories and practises that regard money as an entity are not long-term viable because they allow financial value to wander away from the ecological and social realities of existence, which in mainstream economics are referred to as "externalities." At every opportunity, green economics converts these facts into monetary or market values and use principles of fairness and ethics to reallocate them more constructively. Traditional economics assumes that society will bear these hidden costs.

In the future, green economics will shift towards a larger reliance on community-based money generation in response to local ecological or social needs, taking into account the resources and labour force at hand. According to Hoogendijk (1991), the cycle of borrowing to boost productivity is one of the primary drivers of economic growth. These days, financial resources are more influential than any other factor. When it comes down to it, the wealthy who own the media and newspapers have more sway over state policy than the people they report to (Palast, 2003). In contrast to the more realistic term "democracy," terms like "plutocracy" and "monetocracy" better define this kind of government. When it comes to the media, a green political agenda would place constraints on the ability of corporations and individuals to exert undue influence.

Wealth

Work transforms natural resources into wealth. We extract a resource from the environment and try to maximise its utility or value for humans or the environment.

Resources

In its simplest, the resource may be an apple, and the action would be to grip and consume it. Science, theory, innovation, design, planning, mining, refining, moulding, assembly, marketing, distribution, support, and recycling may be among the many operations involved in the production of a computer. Either resource are finite or renewable.

Finite resources

Schumacher (1980) noted that at least a portion of the income gained via the use of finite resources must be used to assist humanity become independent of these resources.

Resource taxes internalise the costs of diminishing primary resources and make recycling more economically viable, both by increasing the price of basic resources and, if necessary, by providing tax advantages to recycling firms.

In the case of finite fuels (coal, oil, gas, uranium), resource taxes should be dedicated to energy conservation and renewable energy development.

Resource utilisation and growth

A sustainable economy that follows the three axioms will reduce material throughput and maximise reuse and recycling. This requires changing the manufacturing model from linear (mine-manufacture-use-dispose) to cyclical (recover-manufacture-use-reuse-recycle). Both require throughput, but cycle production requires much less.

Persistent poisons must be stored or neutralised, and emissions should not exceed the biosphere's ability to absorb them. Here, direct regulation replaces taxation.

Instead of disposability, products should be durable to reduce throughput.

Because all economic activity, no matter how cyclical, involves throughput, the first and second axioms undermine the traditional shibboleth of unconditional economic growth as a measure of economic health (Douthwaite, 1992). Yet, throughput increase—the linear process—makes unlimited economic development physically impossible, not activity or service growth.

Responsibility on the part of the producer

When applied to one's own actions, this fundamental principle—which forms the basis of the entire legal system—represents a radical departure from conventional economic thought. Successive British governments have agreed with the idea in theory but have avoided really putting it into practise out of concern that it would be too complicated (personal communication).

The concept of "producer responsibility" calls for a tax on all goods and services that would be used to fund the following:

What it would cost to investigate potential negative outcomes, such harm to the environment or human health, caused by the items, and what would happen if those impacts were confirmed.

The price tag for mitigating these impacts

It's clear where the government is having trouble: this isn't a technical issue, but rather a concern about the effect on competitiveness, as a country that implemented this policy alone would be at a disadvantage in international trade.The Simultaneous Policy suggestion is a clever workaround for this issue (Bunzl, 2001). The idea behind this system is to have competing political leaders declare commitments to take action once a certain threshold has been reached. Rewards that encourage a desired behaviour Products and procedures that are harmful to health or the environment will be subject to levies and taxes, while those that are beneficial to society and the environment can be supported through tax cuts and other financial incentives.

Work

Effort and resources produce value. Work can be viewed as a means of decreasing the entropy of a system and improving its order. The work of the homemaker/parent requires a substantial degree of reorganisation. The young child is an engine of entropy, causing chaos

Wherever it goes. Parenting entails teaching children to differentiate between pleasure and danger, toy and tool, and food and faces.

In the highest sense, order is the placement of food and water in the stomach of a person who is hungry and thirsty, the differentiation between a cold, wet environment and a warm, dry home, and the placement of waste matter where it will benefit the plant kingdom without contaminating the water supply. In this light, work is an integral component of our lives.

Good work (i.e., work that benefits society and the environment) can be fostered in the absence of money, as demonstrated by the expansion of Local Exchange Trading Systems (LETS) and Time Bank schemes. In these schemes, money is replaced with credits that may be exchanged for goods or services within the participating community (Tibbett, 1997).

Work has been proved to have a positive effect on the health of both people and society as a whole (Lawson, 1996). Interestingly, work is towards the top of the list of activities that increase happiness. This is related to self-respect, monetary compensation, time structuring, and the socialization involved with work. Yet, certain types of labour, such as excessive hours or undemocratic management structures, may be detrimental to health.

Green economics recognises the value of quality work (Schumacher, 1980), but we anticipate that as machines become more capable of relieving us of regular tasks, work time will decrease and leisure time will grow.

The production of firearms and explosives should be reclassified as a form of antiwork, or work that is not beneficial to the community and a waste of precious resources, because its end result is to enhance rather than decrease environmental entropy.

Effects of unemployment are intrinsically diverse (see below). The current benefit system, which taxes benefits at the marginal rate of 100 percent when a recipient finds job, perpetuates unemployment. It is nonsensical to lock people in unemployment and poverty when there is an abundance of service, healing, and environmental protection work to be done.

Equity, capitalism, and variation

A sustainable society optimises justice and equity. It seeks to achieve an optimal distribution of resources within and between nations, as well as between current and future generations.

International fairness

Capitalism has the inherent quality of widening the income gap between the rich and the poor. Green economics attempts to reduce this trend (see below).

International fairness

For sustainability, the fortunes of rich and poor countries must converge. Available mechanisms include Third World Debt Retirement and the Tobin Tax (Mahbub ul Haq and Grunberg, 2005). It should be mentioned that solar energy will make tropical countries energy-rich, and that this, combined with water conservation measures and reforestation, will contribute to economic convergence between developed and developing nations.

Divergence and convergence in the economy

In any capitalist economy, and particularly in Anglo-Saxon capitalist systems, there is a tendency for the rich to get richer and the poor to get poorer. This trend may be referred to as divergence and its opposite, convergence. Divergence is inherent to capitalism, as capital can increase through interest-bearing loans, whereas a shortage of capital leads individuals to take out loans that deplete their wealth through interest payments. The connection between creditor and debtor is an uneven power relationship. In most cases, redistributive taxation is insufficient to counteract the diverging force of capitalism itself. The Citizen's Income helps provide a floor for individuals without capital resources, but it is a problem for green economics to ensure that resource taxes do not harm those with low incomes. The features of tradable credits are intrinsically convergent.

Divergence, in addition to being unethical, is not ecologically viable over the long term since it generates tensions between social classes, which in turn generates conflict, which is always environmentally and socially damaging. Recent studies on the factors of human happiness have determined that people are happiest in communities where the highest-paid earn no more than five times the lowest-paid (Layard, 2005). Hence, a really sustainable economy will be convergent.

The impacts of the debt/interest system are inherently contradictory and must be remedied. As the income of many vulnerable individuals, especially retirees, is dependent on interest, any correction must be gradual and deliberate. Reform of the financial system should begin with the imposition of the Tobin Tax on financial transactions that are designed to make money out of money (Mahbub ul Haq and Grunberg, 1996).

Green Keynesianism

Green Keynesianism could smooth out the amplitude of the variations on the economic cycle by using money raised by the state (or community, where appropriate) to stimulate good work during times of economic recession. Good work is work that is of benefit to society or the environment. Far from being the self-equilibrating system that its devotees assume, the free-market economy is inherently unstable, as evidenced by the boom-bust cycles

Conclusion

Developing a sustainable economy is not technically challenging. In fact, it is considerably simpler than addressing the social and environmental problems that will result from continuing conventional economics. To prevent irrevocable harm to society and the environment, the difficulty is in mustering the political will to implement real changes in time.

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