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**"Green Economics": Turning Mainstream Thinking on Its Head**

Thomas Prugh - February 15, 2008 - 6:00am

A few years ago, a homeowner in Las Vegas—a place that gets maybe five inches of rainfall a year—was confronted by a water district inspector for running an illegal sprinkler in the middle of the day. The man became very angry. He said, "You people and all your stupid rules—you're trying to turn this place into a desert!"

Ideas about how the world works that don't accord with reality can be unhelpful. That's especially true about mainstream economics, which is based in part on ideas that made a lot of sense at some point in the last 250 years but that have outlived their time and usefulness. These ideas—such as the reliance on GDP as the key index of general wellbeing—still dominate assumptions and thinking about economic matters in the media, governments, businesses, and popular consciousness.

But in recent decades, economics theoreticians and researchers have suggested a variety of reforms that would make economics truer, greener, and more sustainable. My colleague Gary Gardner and I describe seven of these in [Chapter 1](#) of the Worldwatch Institute's latest report, *State of the World 2008: Innovations for a Sustainable Economy*:

**1) Scale.** How big is the global economy relative to the global ecosystem? This is crucial, because the economy resides totally inside the global ecosystem—the ecosystem gives the economy a place to operate, supplies all of its raw materials, and supports it with many critical services. In physical terms, economic activity is basically converting bits and pieces of the ecosystem to human uses: trees and forests into lumber and houses, grasslands and other habitats into farms to feed the billions of humans, and so on.

We've gotten really good at economic growth. Since Adam Smith's time, the number of people in the world has exploded from about 1 billion to [nearly 7 billion](#). And in the last 200 years, Gross World Product has risen by nearly a factor of 60. The ecosystem has suffered as a result, hence the headlines we see every day: climate change, species extinctions, dwindling rainforests, water shortages, and all the rest.

Piecemeal, we're starting to get the message about the economy's scale. For instance, we know that there's too much carbon floating around for the system to handle benignly. Last year, more than 90 major corporations, including General Electric, Volvo, and Air France, [called on governments](#) to set goals for reducing greenhouse gas emissions, and the European Union has set up a [carbon cap-and-trade system](#).

Waste minimization is another way to reduce scale. Every year we dig up and process more than half a *trillion* tons of raw materials—and six months later more than 99 percent of it is waste. That can be fixed too: Ray Anderson's [Interface carpet company](#) is a leader in this area, reducing manufacturing waste by 70 percent since the mid-1990s and saving over \$300 million while doing it.

**2) Stress development over growth.** That is, make the economy *better* at satisfying human needs, not simply bigger.

This is partly about eco-efficiency. It's now cost-effective to boost resource efficiency by at least a factor of four—and possibly by a factor of 20. And given the need for billions of people to grow their way out of dire poverty, we have to pursue these gains.

But it's also about asking the question, what is an economy really for? Not only can the global economy not keep growing forever, growth isn't even working for many of us in wealthy nations anymore: U.S. per-capita income has tripled since 1950, for instance, but the share of Americans who say they're very happy has [dropped over the last 30 years](#). Studies in hedonic psychology reveal that higher incomes only improve life satisfaction up to a point. The research also says that the more materialistic people are, the lower levels of happiness they report. And it says that there appears to be a correlation between rising consumption and the erosion of the things that *do* make people happy, especially social relationships, family life, and a sense of community.

In response, a lot of people are rejecting the competition and get-ahead mentality of consumerism. They're downshifting and pursuing voluntary simplicity all over the globe, and they're taking collective action via campaigns for healthy eating, work leave for new parents, and shortened workweeks. The governments of Australia, Canada, and the United Kingdom have made wellbeing a national policy goal, and there is a lot of interest in indicators that measure wellbeing more directly than GNP.

**3) Make prices tell the ecological truth.** Cheating a bit here—this isn't really a conceptual reform. Every economist knows that markets fail when prices don't reflect actual costs. The reform would be actually applying this rule to the ecosystem. For instance, climate change is arguably the result of failing to charge for dumping carbon dioxide into the atmosphere. Another example is human-caused species extinction. We're basically dismantling our life-support

machinery, and by and large until recently nobody paid for it. Fortunately, governments and business are beginning to experiment with carbon markets, water pricing mechanisms, and conservation banking. Carbon market trading was worth [\\$59 billion](#) in 2007, and there are now several hundred wetlands and species banks in the United States alone.

**4) Account for nature's services.** This is closely related to #3. In the United States, the pollination performed by honeybees is worth about \$19 billion per year. There's also air and water purification, soil generation, pest control, seed dispersal, and nutrient recycling, among the many other services that nature provides. Tearing up ecosystems undermines these services, so some countries have begun trying to value them properly. [Costa Rica](#), for example, pays landowners to preserve forests and their biodiversity, with the money coming from fuel taxes and sale of environmental credits to businesses. [Mexico](#) and [Victoria, Australia](#), have also set up systems to assign values to formerly free services.

**5) The precautionary principle.** This is just the age-old wisdom of "first, do no harm" and "look before you leap," but applied to public policy toward new products (like chemicals) and technologies that could pose serious risk. Ordinary risk analysis asks, "How much environmental damage will be allowed?" But the precautionary principle asks, "How little damage is possible?" Today we're seeing the principle adopted more and more widely. The [Maastricht Treaty](#) that created the European Union in 1991 puts the principle at the center of its environmental policy, and [San Francisco](#) made precaution official policy in 2003.

**6) Commons management.** People generally believe that there are only two workable regimes for managing resources: private property or government control. But commons management regimes are a third way, one that taps the strong human impulse toward cooperation and the common good. Commons management has proven itself over centuries of experience—there are collectively managed irrigation systems in Spain that were begun in the 15th century, for instance, and other commonly managed forests and pastures in Switzerland, Japan, the Philippines, and Indonesia that are centuries old. Commons management lives and thrives today in such things as [Wikipedia](#), community gardens, and farmers markets everywhere. The writer and entrepreneur Peter Barnes has suggested that the atmosphere, which everyone ought to own, could be successfully managed and protected via a commons regime. Ocean fisheries might be as well.

**7) Value women.** Economic systems ought to be gender-blind but they're not. A UN report in the 1990s noted that "most poor people are women, and most women are poor." All over the world, women earn less than men for equivalent work, they lack access to land and credit, and they do more than their share of child- and elder care, volunteer work, and other unpaid labor. There is evidence that this gender bias actually suppresses economic activity. In response, a few governments in industrial countries are trying to develop policies that take unpaid work into account. Muhammad Yunus's [Grameen Bank](#) in Bangladesh is using the terms of its loans to help to ensure that wives are legally entitled to their share of a couple's assets. And the microfinance movement appears to have given millions of women a valuable economic boost.

These seven ideas are hardly the only changes brewing in economics, but the innovations described in [State of the World 2008](#) can generally be traced to one or more of them. Hopefully, they are on the way to transforming economics from "the dismal science" into more of a delightful one—or, to paraphrase E.F. Schumacher, into an economics as if people and the planet mattered.

*Tom Prugh is editor of the Worldwatch Institute's bimonthly magazine, [World Watch](#), and co-director, with Gary Gardner, of [State of the World 2008](#).*

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#### [About the Quality of Life](#)

Submitted by [info@vrijeconsumenten.nl](#) on February 22, 2008 - 12:42pm.

About the Quality of Life. A Consumers' Vision

source: [economischegroei.net](#) - economic growth - conference 2008 jan 10 at the University of Tilburg Netherlands following the OECD conference about "Beyond GDP"

Why is every producer wrestling for stakeholder-value for stock-owners? Why is a consumer shopping and hopping to get lowest prices only? Because everybody is in a desperate fear for not having enough income. And in fact that is the reason why nobody is really interested in quality first! In quality of products and services, in the quality of the labour situation, of fair prices and so on, in sustainability, in quality of life!

But in fact our income is not an economical factor but a (human) right! In the same way as for instance two men, a sick woman and a little child on a Robinson Crusoe Island have to live of what those two man gather for food! In a globalized world we have to share our wealth in the same way among all people. Depending on what we need for our individual development: a reasonable income is a right! Thus between two dollars a day and ten million a year we've got yet a lot to discuss about what's reasonable. Haven't we? If we think about our big world-family as a creation or as a big bang (for dummies) doesn't matter. One way or another we have to deal with it in a way of 21st

century (mature?) consumer/citizens should!

But the word itself contains the solution already: REASON-able ! In the same way all social systems are developed on the basis of reasons for what we really need we have to complete that puzzle also for the last group consumers among us who are producers as well for 40/168 part of the week ..... And that discussion is now in a current since two years. Everybody is now discussing about basic incomes and top salaries. But the puzzle is how we manage that whole spectrum in between? For that we need the word 'reasonable' to find reasonable solutions! I think. If those inter-human financial relations are better solved in the near future then only then everybody can really think about sustainability and quality in general. Not haunted anymore by values or prices alone!

Peter Daub  
consumer360.org

A New Deal for Globalization (Essay)  
Kenneth F. Scheve and Matthew J. Slaughter  
Foreign Affairs July / August 2007 p. 34-47  
Globalization has brought huge benefits but inequality is greater than ever.  
To save globalization, the best way is by redistributing income

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