

# **CIVIL ECONOMY AND CIVILIZED ECONOMICS: ESSENTIALS FOR SUSTAINABLE DEVELOPMENT**

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## Summary

This essay will consider the relevance of the social sciences—especially economics—to the foundations of sustainable development. Looming environmental crises have served as a prime motivating force for reevaluating fundamental principles. In particular, the concept of sustainability, carrying with it clear requirements for values, goals and ethics, has begun to reshape economics. The broadest conception of sustainability is found if we understand sustainable development to mean Socially And Environmentally Just And Sustainable development: “SAEJAS development.”

Throughout the paper we will see examples of rules, or norms, that serve to organize human behavior without requiring that everything be rethought all the time. Among these may be found some ethical rules that lay the foundation for responding to the current situation in which humanity finds itself. What notice should the social sciences take of such rules? How would the social sciences, especially economics, have to change in order to be able to pay appropriate attention to ethical norms?

“Participatory science,” involving citizens as well as specialists, is proposed as an outline for the kind of science that is needed under contemporary circumstances. The approach described under this rubric will be contrasted with the methods and assumptions of mainstream economics. This text will give some attention to how economic ideas, for better or worse, affect and shape culture and society. The theory of sustainable development is proposed as offering strong, practical elements of a needed alternative economic paradigm. The conclusion will remind us that theory alone has little effect, and will point to an area where theory and practice can work together to civilize modern economies.

### 1. Introduction

Most people, if they think about the purpose of the social sciences, assume that it is to serve the well-being of humankind. That is a reasonable assumption; at least, it is shared by the author of this entry. However, within economics, under certain circumstances, a different assumption is stated and believed: that economics is value-neutral. Such a belief, where it is actually followed, strips economics of the possibility of having a purpose, or a goal; how can one have a goal if one has no values? That, some economists have claimed, is just the point; economics is no more than a tool, to be used for any goal pursued by any user of that tool.

Such a logic implies that the practice of economics is entirely individualistic, like the practice of painting. A person who has learned how to use a brush and pigments can paint pictures purely for personal pleasure; for sale; in the hope of becoming famous, or infamous; to create gifts for friends, or as an expression of feelings or beliefs. While close friends and family may not always be able to avoid looking at the painter’s products, the circle of those who are forced to take this medicine does not extend very far. “If I paint bad pictures, it probably will not affect your life.”

By contrast, the practice of economics is often, in its effects, a social activity. The collection of ideas, assumptions and explanations that make up this discipline probably does affect a person’s life, in a variety of ways. Government policy makers as well as

CEOs and managers of large and small firms consult economists, or recall what they had learned in economics classes, when they make decisions on local, national and international levels. Roads are built here instead of there, or instead of railroad tracks. Loans are made to “these” people, or “these” nations, rather than to “those.” Laws are made to regulate industries, or not. International trade negotiations affect what is produced where, creating some jobs and eliminating others. Minimum wage legislation, education policy, tax policy, interest rates, and a myriad of other pieces of the social framework are shaped by economic analysis.

If the practice of economics is going to affect our lives, it seems reasonable for people to care that this discipline be oriented towards our well-being, or, at least, towards the well-being of humanity, of which we are all a part.

That statement can be argued. The neoclassical economists who have urged that economics should be value-neutral can point to historical reasons why values in the social sciences can be dangerous. (Note: from the middle of the twentieth century and on into the 1980s, mainstream Western (especially Anglophone), market-oriented economists defined themselves as “neoclassical”; connected to, but differentiated from, the classical economics tradition of Smith, Ricardo, Mill and Marshall. The popularity of this name has recently declined, while its proponents increasingly use more generalized labels such as “market-oriented economics.” For clarity, however, the reference herein will be to the theory that is taught in mainstream economics departments, especially those with a strong US influence, as “neoclassical.”) Nevertheless, this article will point to changes in the world that appear to tilt the balance in favor of the social sciences in general, economics in particular, accepting some ethical responsibility; and it will suggest some ways to define that responsibility. We will start from the proposition that goals, values and ethics are critical parts of the civil context; and the civil context is, in turn, essential for the healthy functioning of an economic system.

## **2. The Civil Context**

### **2.1 Goals, Values, and Ethics as Social Capital**

Goals, values and ethics are just beginning to receive renewed attention in the mainstream of economics. This is largely due, via a somewhat circuitous route, to the recent emphasis on sustainability.

It has long been recognized that production, of virtually any kind, is a process in which capital stocks (an example might be a factory with machinery and stocks of lumber) are deployed to produce a flow of output (such as wooden furniture). Traditional economics has focused on output flows. Thinking about sustainability has directed attention to the importance of maintaining the stocks on which these flows depend.

Labor economists, as well as less mainstream groups such as feminist economists and ecological economists, have pointed out that “built capital” (such as machines, or milled lumber) is only one of the kinds of stocks that are required for production. We also need natural capital (the trees that yielded the lumber, the land and ecosystem that produced

the trees) and human capital (the skill and knowledge of the workers who will operate the machines).

All of these things together are still not enough to achieve efficient production. Wherever cooperation is required among two or more people there also has to be a kind of social cohesion, built upon some level of trust. Examples of the trust that greases the wheels of ordinary economic life include the ability to believe, for example: “the workers share my goal of producing output that meets an acceptable quality standard;” or “I will receive fair wages for my work;” or “I am not the only one who cares whether my working conditions are safe.” Such trust is compounded of many things, including cultural norms which make it shameful to do too bad a job; or to cheat, outside of the circumstances where the particular culture winks at cheating; or to let down a working buddy, etc.

These norms may be codified in ethics, accepted rules of behavior that can avert “tragedy of the commons” outcomes by raising individual behavior above the narrowest concept of individual rationality, toward what is good for the individual because it is good for society. Still more controversial, and newer, than notions of natural and human capital, the term “social capital” is intended to describe the existence and importance of the cultural norms, ethics, trust, and other social habits or tendencies which impact the efficiency with which cooperative endeavors (such as production) can be carried out (see Fukuyama, 1999).

## **2.2 Ethics in Civil Society**

A closely allied intellectual movement is raising interest in the idea of “civil society,” and even a “civil economy.” (see Bruyn, 2000) Neoclassical economists have modeled markets as pure collections of economic laws, operating in a social and physical vacuum. This view has been largely discredited by the tragic examples of Russia and some other transitional economies; places where, in the absence of appropriate social capital, markets have developed that are, by almost any measure, inefficient and inequitable. It is becoming evident that there is not only one kind of market economy; there are many kinds, with clear bases for preferring some over others. (We will return to the questions: who does the preferring? and on what basis?)

Civil society is sometimes defined as all parts of society outside of government and business. (An early use of the term, by G. F. Hegel, identified civil society with business; this usage is being replaced by the one cited in the text, which is the more useful meaning in this context (as in most others). It may be regarded as the locus of social value; in one version of this view, the purpose of the other two sectors—government and business—is simply to serve civil society. Civil society may be emphasized as the place to look for the generation and nurturance of social capital. Alternatively one may focus on an opposite causal chain: social capital is also required to maintain a healthy civil society; one that can convey constructive goals to its government and urge appropriate norms of behavior on its businesses. A topic of particular relevance to this paper is civil society’s role in creating the context for a civilized economy.

### **2.3 An Example: The UN Conferences**

Lest this all sound too abstract, there follows an example of a set of civil society activities which have had the function of affecting a number of relevant norms in important ways, i.e. the series of UN-sponsored global fora that took place during the 1990s: notably, the UN Conference on Environment and Development (“the Earth Summit”) in Rio de Janeiro; the World Conference on Women in Beijing; the International Conference on Population and Development in Cairo; the Conference on Human Settlements in Istanbul; and The World Summit for Social Development in Copenhagen. “What is actually going on at these conferences? What are they really set up to accomplish?”

Speaker after speaker read “a statement of values,” saying, in effect: “This is what really matters.” Underneath, the statement actually appeared to be: “This is the best draft I have come up with, so far, for the values that need to be emphasized in light of current world realities. Do I have it right? Do others agree?” To be sure, the value statements were backed up by recitations of facts; e.g.: “We should be concerned about the environment because human activities are having the following kinds of impacts...It makes sense to give special attention to women in development because women play the following pivotal roles...” But the substantive thing that was happening was that people from all over the world, from a myriad of different aspects of civil society, were working towards a convergence—even, at best, a consensus on the basic values that are required as the foundation for setting goals and for reshaping norms and ethics for the coming century. (Work toward the Earth Charter is an obvious continuation; perhaps, if it is successful, a capstone of this process.)

This may sound abstract and “soft.” The results are widespread and increasingly concrete. People involved with development are thinking about it differently and acting differently, because all over the world, additional emphasis is being given to the role of women and of the environment. The attempt to give a new emphasis to social equity has yet to have an equally evident impact; but it is possible that this has a longer gestation period, and will yet percolate through to global norms. (This possibility will be revisited later.)

At the same time, the strongest forces shaping the world today are not the people whose prime concern is with development as such; they are corporations. The real impact of the global fora mentioned above depends upon the extent to which the values promulgated there can reach beyond civil society, to business. At the end of this paper, some possibilities for achieving this are discussed. First let us look at the kinds of ethics that are in question.

### **2.4 Ethics as Behavior Rules for Situations of Interdependence**

Ethics are rules which, when followed, cause individuals to behave as though recognizing interdependence. Humanity is aware as never before of global interdependence, connecting individuals with other, unknown individuals; connecting groups (such as nations) with other groups; and re-connecting humans with the non-human world.

Our planet, “Spaceship Earth,” is, in most respects, a self-contained system. Technology and population growth have enabled us to brush up against many of the limits of that system. This reality importantly weakens some of the claims to sovereignty of the nation states, which must bow to the fact that, metaphorically, we are all poisoning our neighbors’ wells, and we are all drinking our neighbors’ water. The consequences of our actions go abroad and then return home in a new guise, whether we are damming a river, exterminating a species, dumping things into the ocean, or creating nuclear waste.

This new, global reality poses the need for a new ethic. At the same time, it provides the foundation for such an ethic.

Most major religions contain an ethical imperative designed to deal with interdependence. Christianity’s version is the familiar Golden Rule: “Do unto others as you wish that they would do unto you.”

This ethic is receiving a new kind of support by association with the Evolutionary Rule: “Survival is the first imperative.” As products of evolution, we are born with a strong commitment to survival: as individuals, for our families, and as a species. Upon this commitment, it is possible to go a long way in building a value-orientation that will be constructive and bonding, rather than divisive.

As survival—for individuals, groups, nations, and the whole human race—is increasingly understood to be intimately connected with the health of local and global ecosystems, the Evolutionary Rule translates into an Environmental Rule: “Do what is necessary to preserve the health of the ecosystem, for your own survival depends upon it.” It is a nice coincidence that everyone else’s survival depends upon the same thing.

One translation of this rule is the requirement for all to live within our budget constraint; our communal planetary budget constraint, as well as that faced by each individual. This means, for example, taking care that, as we use our income (the flow of production of food, machines, people, etc.), we do not deplete the capital stocks upon which the income flow depends. As noted before, the capital stocks that must be protected include stocks of natural, human and social as well as built capital.

As we think about the future and about sustainability, there are more points of overlap between economics and ecology, between evolutionary and moral imperatives evident; but it will not be a simple matter to make this agreement operational. Widespread adoption of, and attention to, the Evolutionary Rule is a good first step.

### **3. A New Kind of Science for the Current Mess**

A second step may be the recognition that, in many areas, humankind is facing a kind of problem that seems to demand a special term. (As with the term “sustainable development,” a new name can be an important start for a new way of thinking, and then of acting.) Much of what we now face is not a single problem, but an interlocked set of them, such that it seems impossible to solve any part singly; the set has to be approached as a whole. In the 1960s, social scientists used a not very elegant term to describe this not very elegant situation: a “mess.”

### 3.1 Characteristics of the Environmental Mess

The mess of environmental crises that humankind faces has some additional characteristics.

- It has transgenerational aspects. The economist John Maynard Keynes, confronted with the short term crisis of the Great Depression, dismissed the longer view with the statement, “in the long run, we’re all dead.” True enough, Keynes and his cohort are gone, but we, today, are living in the long run of which Keynes spoke; and our long run will, in turn, be someone else’s here and now.
- Similarly, our mess has many global aspects.
- The transgenerational and global features create important equity dimensions, for the problems created in one place may be felt in another, with the costs and benefits of actions unequally distributed among rich and poor groups and nations.
- The environmental degradation being brought about by current actions increasingly appears to threaten irreversible effects, occurring in a non-linear, unpredictable fashion.
- Our mess is characterized by uncertainty and a high degree of complexity.
- Its elements are interconnected and mutually reinforcing.
- And finally, this is a mess with very high stakes: the consequences of decisions taken in the near future seem likely to have significant bearing on the survival of human civilization, even of the human species.

### 3.2 Responses to the Environmental Mess: Starting with Values

One response to the mess has been the enunciation of “The Precautionary Principle,” which emphasizes the need to recognize scientific uncertainty by taking extra precautions. This principle also lays a greater burden of proof on those who recommend behaviors that are considered a possible source of danger to the future of humanity, than on those who counsel devoting resources to averting possible calamity; and it proposes the use of democratic processes to carry out and enforce the principle. (A well known definition of the Precautionary Principle was spelled out in a January 1998 meeting of scientists, lawyers, policy makers and environmentalists at Wingspread, the headquarters of the Johnson Foundation in Racine, Wisconsin. The Wingspread Statement on the Precautionary Principle summarizes it thus: “When an activity raises threats of harm to the environment or human health, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.”)

To many thinkers, the value of survival, when paired with an informed understanding of the nature of “the mess,” translates into an emphasis on foresight and prudence, and on building into all planning a wide tolerance for errors and the unexpected. Humility emerges as an important value, to enable us to anticipate the possibility of error before our errors are fatal. Serious attention to the current mess should lead us to examining and perhaps recasting the ways in which we define success, not only for ourselves as individuals, but also how we define such terms as “progress,” “development,” or

“welfare,” which refer to the success of human societies. The way we define these words, will affect our behavior and, ultimately, the success of our species as a whole.

Other values emphasized by recognition of the current mess include those of commitment, responsibility, stewardship, and a respect (sometimes also called reverence) for that which is not oneself: other ways of thinking, other peoples, other generations, and other species. Along with a global view of “Spaceship Earth” there also appears to be a survival value to local connectedness. Local connectedness can be translated into a sense of community, an attachment to and understanding of specific places, and, often, an aesthetic and emotional appreciation of the natural world. It then implies empathy with and obligation to others.

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### Biographical Sketch

**Neva R. Goodwin** is Co-director of the Global Development and Environment Institute (G-DAE), a research institute which she helped to found at Tufts University. An economist, she is the author or editor of a dozen books and numerous articles dealing with the interactions among economic forces, human goals, and the natural world. She is active in a variety of attempts to systematize and institutionalize an economic theory that will have more relevance to real world concerns than does the dominant economic paradigm; for example, the difference between increasing well-being and increasing consumption is an economic, ecological, moral and philosophical distinction that is too often ignored in mainstream economics. Dr. Goodwin is Series Editor for two publication series: *Evolving Values for a Capitalist World* (University of Michigan Press) and *Frontier Issues in Economic Thought* (Island Press). She is also lead author for an introductory textbook, *Microeconomics in Context*, which has been written for use, initially, in Russia, and will also be adapted for other countries. Her current work focuses on ways of encouraging large firms to recognize social and ecological health as major, long-term corporate goals.

Dr Goodwin holds a bachelors degree in English literature from Harvard University, a Masters in Public Administration from the Kennedy School of Government, and a Ph.D in Economics from Boston University. She is married to the historian Bruce Mazlish and has two adult children, David and Miranda Kaiser. In the 1970s and early 1980s she worked on issues of housing, environment and design, assisting R. Buckminster Fuller to establish the Design Science Institute. Other associations have included nine years as Vice-chair of the board of College of the Atlantic, and membership on a number of not-for-profit boards, including CERES, the International Center for Research on Women, and Winrock International Institute for Agricultural Development.