# Chapter 5

# Economics, Prosperity, and Sustainability

## Chapter Overview

Today’s economic system evolved over a period of hundreds of years, and with it evolved a number of assumptions about natural resources and their availability. One of the main symptomatic problems was the creation of a budding economic social class that controlled the economy. The Industrial Revolution inspired and rewarded innovators, but then also changed the way people live. From a long-established agricultural system with a relatively low global human population emerged the industrial system and all of its technological marvels. These marvels led to the luxuries and comforts people enjoy today. Along the way were some innovative ways of managing the booming economy to manage the growing economic system. Modern technology has managed to help society overcome many of the ecological limits that haunted humanity in the past. For instance, the discovery of petroleum removed energy concerns such as using wood, coal, and whale oil as sources of energy and light. The concentrated form of energy found in fossil fuels has been the basis for the technological marvels people take for granted in this modern world.

Since resources seemed limitless and the industrialized nations had managed to improve the standard of living for the common person far beyond what it had been before, little reason existed to question the assumptions of the economic paradigm that was running people’s lives. The incredible increase in standard of living, coupled with the technological wonders, masked the darker side of this system. The benefits that occurred for those in the developed nations started to have a consequence that brought many problems, which people are only now realizing. The problems of living well beyond real means and the environmental havoc that the consumer lifestyle has created are just the tip of the iceberg. The disconnection from community and the disenfranchised masses in the developing nations is extracting a price for the monetary wealth people take for granted.

New paradigms have been proposed and even started in many places. Still, people must recognize the faulty assumptions of the current economic paradigm and embrace a sustainable ecological economic paradigm that mirrors the natural world’s economy—a system that has been shown to work over millions of years. These new economic systems establish a trading base that is more equitable to all people. It measures success using the quad stack components, a broader and more complete measure of well-being than just the amount of money one might acquire. Improving the economic way of living is a major step in changing the lifestyle from a destructive one to a sustainable one.

## Vocabulary Terms

anthropocentric

biodigester

commodify

commons

communalized

cooperative capitalism

corporate capitalism

corporate welfare

corporatism

corporatocracy

demographic transition

disenfranchised

ecological economics

economic meltdown

externality

Fannie Mae and Freddie Mac

feed-in tariff

free market

globalization

gross domestic product (GDP)

industrialization

International Monetary Fund (IMF)

monopolies

negawatt

neoclassical economics

Organization of Petroleum Exporting Countries (OPEC)

privatized

relocalization

remediation

self-regulation

shareholder

stakeholder

subsidies

supply–demand paradigm

sustainable development

sustainable economy

taxes

total fertility

World Bank

## Terms With Definitions

**anthropocentric—**Solely human-centered thinking.

**biodigester—**Bacterial degradation and decontamination of fecal waste in a closed system; popular in developing countries. Resulting output is methane (can be used for cooking or heating) with excellent resulting fertilizer for increased farming yields.

**commons—**Resources that are collectively owned by everyone. Although some restrictions may exist, in general people have traditional rights of usage.

**commodify—**To commercialize something and give it monetary value. If air became so polluted that we had to buy bottled clean air, the commons we call *fresh air* would have been commodified.

**communalized—**When something becomes a property or is controlled by a community.

**cooperative capitalism—**Equitable group control of financial matters that tend to fair pricing and pay for productive work. All members of group are co-owners of an enterprise.

**corporate capitalism—**A system of finance with hierarchical and bureaucratic corporations, with a purpose (often legal) to pursue profit for investors. It can have a tendency to become monopolistic as competition is actively suppressed in search of market control.

**corporate welfare—**Action of a government to prevent market failure or to support essential resource production for social benefit. Tends to be in the form of subsidies to corporate systems in specific resource areas.

**corporatism—**Where the economic factions in a society (sometimes called corporations) interact to settle problems through negotiation and joint agreement.

**corporatocracy—**Where the economic interest of corporations takes precedence in governmental actions.

**demographic transition—**A model that explains the transition of countries from having high birth and death rates (rural preindustrial societies) to low birth and death rates (postindustrial societies).

**disenfranchised—**Deprived of some legal right or privilege.

**ecological economics—**Transdisciplinary field involving the interaction of economics, natural ecosystems, and human societies; often referred to as triple bottom line economics.

**economic meltdown—**When extreme economic shocks threaten the very stability and existence of the economic system.

**externality—**A cost (sometimes a benefit, more often a negative as in pollution) that occurs to people who are not part of a financial action.

**Fannie Mae and Freddie Mac—**Two privately owned but U.S. government-sponsored enterprises that securitize (provide security) for the secondary home mortgage market. The U.S. treasury provides special financial backup in case of economic shocks to the market.

**feed-in tariff—**A mechanism to support use of renewable energy. Energy producers get income back from power generators for feeding locally produced renewable energy sources into the grid system.

**free market—**Economic model espousing open trade with minimal legislative involvement for enforcement of legal rights and collection of taxes.

**globalization—**A process that is integrating people, companies, and governments of different nations through international trade and investment.

**gross domestic product (GDP)—**The monetary value of all the finished goods and services produced within a country's borders usually in a year. It generally does not differentiate between socially positive or negative services.

**industrialization—**The transformation of agrarian systems into industrialized ones.

**International Monetary Fund (IMF)—**An organization representing most countries in the world that create global monetary cooperation to reduce global poverty through support of financial entrepreneurial activities.

**monopolies—**Where specific commodities or services in a particular market are tightly controlled, allowing manipulation of prices.

**negawatt—**Means the amount of energy saved, but can refer to the transfer of energy from one consumer to another. A home that uses renewable energy sources can send unused energy into the grid, therefore the house is negawatt.

**neoclassical economics—**An economic belief that competition creates efficient allocation of scarce resources through supply and demand, and that mathematical and statistical metrics can predict and describe market systems.

**Organization of Petroleum Exporting Countries (OPEC)—**This organization meets regularly to set oil production and supply levels to stabilize global oil markets for net producing country benefits.

**privatized—**When ownership of a public system or resource moves into the private sector (usually business).

**relocalization—**Building more resilient community with localized economic, energy, and food systems to safeguard community against external economic shocks.

**remediation—**Correcting a fault or deficiency.

**self-regulation—**Used here to emphasize how business will act ethically in the absence of rules and regulations. Depends on the primary goal of the business and whether it espouses a bottom line (profit only) or triple bottom line perspective as to how ethical it is likely to be.

**shareholder—**A financial investor who owns stock (shares) in a company. They gain profit only if the company makes a profit.

**stakeholder—**Anyone that is affected by the action of an organization. Many stakeholders may be subject to negative externalities of a business but have no financial benefits gained by the business.

**subsidies—**Legislative financial assistance paid to a business to prevent the decline of a socially beneficial resource or service that might otherwise be unprofitable to continue.

**supply-demand paradigm—**A belief that consumers control the demand of a resource being supplied. In theory, prices are adjusted up by the supplier when demand is high, and reduced when demand is low to try and reach a stable output and profit level.

**sustainable development—**A pattern of growth that works within a triple bottom line or quad stack paradigm for long-term benefit and stability.

**sustainable economy—**Used here to denote an economy that is mirrored on a natural economy. See *ecological economics*.

**taxes—**A legislatively required contribution to support socially beneficial services and infrastructure.

**total fertility—**The average number of children a woman can expect to have over a lifetime.

**World Bank—**A financial institution that funds entrepreneurial projects in developing countries in an aim to reduce global poverty.

## Extended Learning Activities

1. Look at any ancient civilization. What are the factors that allowed it to grow and thrive? What are the factors that marked its downfall? Do you see any similarities with present civilization?
2. Choose two different types of businesses in your community such as a big-box store with owners outside the community and a local business owned and run by a local person living within the community. Compare and contrast the two businesses for how they interact within the community.
3. Find a company that uses ecological economics or emphasizes its use of the triple bottom line perspective as a management tool. Determine how the company incorporates this type of thinking within its policy making. Share your findings with the class and compare the companies.
4. Analyze one year of transactions on one of your more frequently used credit cards or a year of your bank accounts. (You can do this easily online; if you do not have a credit card or your own bank account, keep a record of everything you buy for a two-week period) and determine how much money you spend on needs and how much you spent on wants. Where are most of the nonconsumable items you purchased? Write a reflection on your analysis in terms of our current economic model and make connections to the ideas presented in this chapter.

## Research and Response Questions

1. Research a country that is starting to incorporate a steady-state economy. How did you determine that it follows an ecological economic model? How does this country avoid the tragedy of the commons? How does the standard of living relate to the quality of life?
2. Interview 5 to 10 people to determine if the idea of new consumerism would be accepted. Describe your findings and describe any barriers that were brought forth. Did your participants support the current economic paradigm? Explain.

## Web Links

[Center for the Advancement of the Steady State Economy](http://steadystate.org/)

[Center for Ecological Economics](http://www.ecological-economics.org/)

[Encyclopedia of Earth](http://www.eoearth.org/)

[Global Subsidies Initiative](http://www.globalsubsidies.org/en/general/about-gsi)

[The International Society for Ecological Economics](http://www.ecoeco.org/content/)

[Investment and Financial Dictionary](http://www.investorwords.com/)

[LETS community: Swan Hill](http://swanhillslets.org/public/about.aspx)

[Monopoly](http://www.hasbro.com/monopoly/en_US/)

[*Simple and Sustainable Choices*](http://www.sustainablethinking.org/)