

Toward an Ecological Economy

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Sustainable development is a term that is often used today, but is it just an oxymoron! It remains an elusive concept and it will take a conscious and collaborative effort to pave the path towards sustainability. Each country will have to work out and create its own path to sustainability based on its stage of development, resources, strengths and vulnerabilities. To this end, a new economy - an Ecological Economy - will have to be envisaged, which calls for creativity and innovation. A good starting point is to probe into the meanings that have and can be given to “development” and “sustainable”.

“Development”! But of what?

In the conventional way, development, and the idea of what constitutes *progress*, is associated with increasing economic output – i.e. economic growth. Gross Domestic Product (GDP) as an *objective* indicator is the arbiter of development. The more of it, the better, and economic growth becomes an end in itself. GDP is definitely a mismeasure of sustainability,¹ and alternative indicators (including both objective and subjective indicators) will have to be developed for the Ecological Economy. This is not to say that economic growth is always unnecessary. Rather the key issue is to know when does economic growth become undesirable or when does growth become uneconomic (i.e. marginal disutility of producing/consuming exceeds the marginal utility of producing/consuming). Unsustainable patterns of production and consumption at the global level (and the case can also be made at the national level) are deeply rooted in this conventional way of looking at development. Within this paradigm, it is hardly meaningful to talk about *innovation, best practice, excellence* and the likes if these only serve to maintain unsustainable patterns of behaviour.

Another way is to look at development as the process of enhancing the substantive freedoms that people have the potential to enjoy in life,² in support of their self-actualisation. Typically, these substantive freedoms can be classified as (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees, and (5) protective security. These are nothing more than the basic freedoms that people are expected to enjoy within a democratic nation. Focusing on these freedoms contrasts with the narrower view of development discussed above. Here, growth of GDP or of disposable income can be an instrumental means to allow citizens to develop their full potential or participative capacity for a sustainable society. This broader view of development transcends the unidimensional one focussed solely on increasing material welfare.

Sustainability of what?

Something is said to be sustainable if it is able to maintain itself over a prolonged period of time. The issue of what is to be sustained by “development” has been reviewed by Herman Daly³ and also discussed in my previous article.⁴ It is proposed here that sustainability of Quality of Life (QoL) should be the purposeful objective of development. Enhancing QoL is compatible with both the above broader view of development and Ecologically Sustainable Development (footnote 4).

¹ See P Deenapanray, Business Magazine, Issue 670, May 4 – 10 (2005), p.38.

² Amartya Sen, *Development as Freedom* (Oxford University Press, Oxford, 2001).

³ Herman E. Daly, *Economics in a Full World*, Scientific American September 2005 – a plan for a bright future beyond 2050 (Special Issue), p.78.

⁴ See P Deenapanray, Business Magazine, Issue 630 (2004) p.53.

Figure 1 is a plot of QoL Index as a function of per capita GDP, measured for 111 countries (not including Mauritius). The QoL Index was determined by the Economist' Intelligence Unit in 2005 using surveys covering nine domains of life-satisfaction, including (1) material wellbeing, (2) health, (3) political stability & security, (4) family life, (5) community life, (6) climate & geography, (7) job security, (8) political freedom, and (9) gender equality.⁵ The lines only serve to guide the eyes, and they reveal an interesting trend. QoL is positively correlated with economic growth up to a threshold, above which there is virtually no gain in QoL. Various other studies have shown similar trends, and the threshold typically varies between US\$15000-20000. Pursuing economic growth above the threshold (current development paradigm) only increases throughput of energy and materials in the economy without delivering any substantial gains in QoL. In this region growth becomes uneconomic and unsustainable. It is no surprise then that the global economy has already exceeded the carrying capacity of the planet.

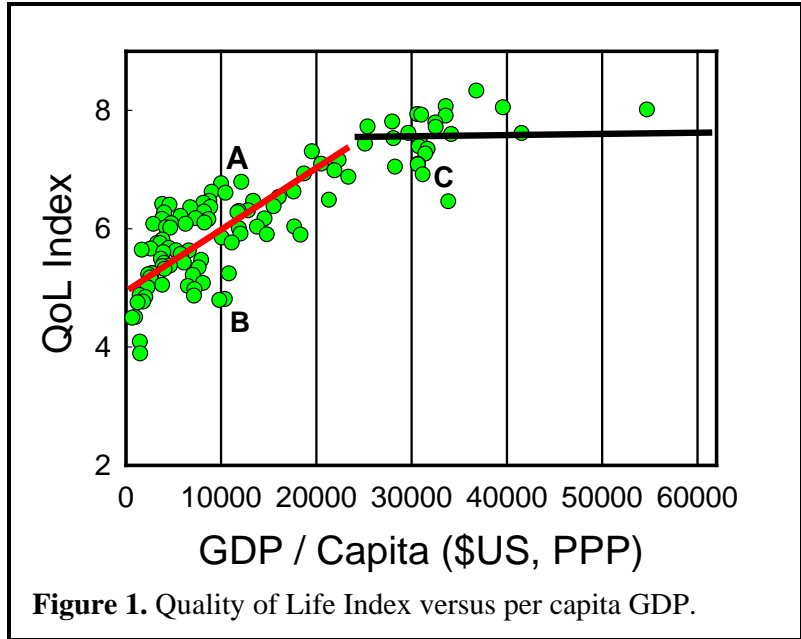


Figure 1. Quality of Life Index versus per capita GDP.

Comparison of QoL of persons living in country clusters 'A', 'B', and 'C' is very telling. Even at a low per capita GDP of ~US\$10000 (QoL Index 'A' > QoL Index 'B'), there are other factors than money that determine wellbeing. The same conclusion can be reached when comparing the QoL Index of countries in clusters 'A' and 'C'. The empirical data therefore cast serious doubts about the classical development model of ever increasing economic growth.

Summary - Today, the challenge is for countries finding themselves close to the threshold, like Mauritius (GDP per capita of US\$13542 PPP in 2005), to re-orient their economies from one of growth to one of sustaining QoL without GDP growth – i.e. an Ecological Economy in dynamic equilibrium with social aspects and the environment. This should not be seen as a sacrifice, but rather as an opportunity to be *Innovative*. Moving toward an Ecological Economy is an essential step to achieving a sustainable future.

⁵ http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf (accessed 13 July 2006).

