



NZSSES Conference, 30 November -3 December 2010

Riches or Ruination?

*Has neoclassical economics reached
its use-by date?*

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Chair, Sustainable Aotearoa New Zealand



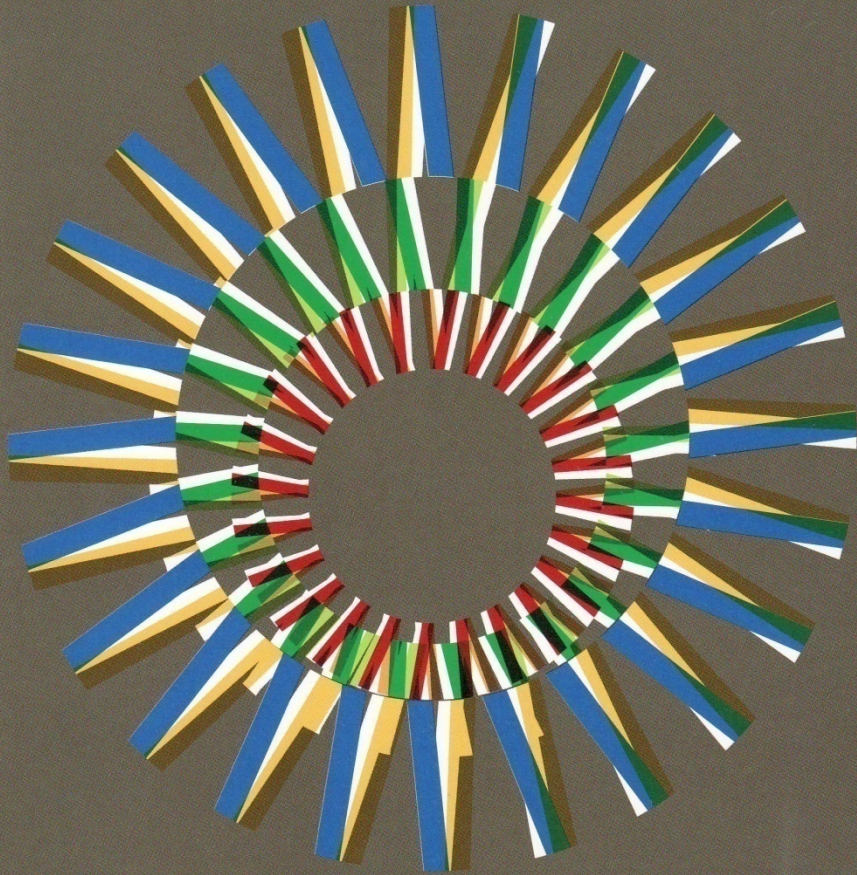
NETWORK *Waitangi* OTAUTAHI



Strong sustainability for New Zealand

PRINCIPLES AND SCENARIOS

SUSTAINABLE AOTEAROA NEW ZEALAND INC (SANZ)



nakedize

This Report is downloadable free in PDF format from the SANZ website www.phase2.org and is also available as a hard copy book for \$20.

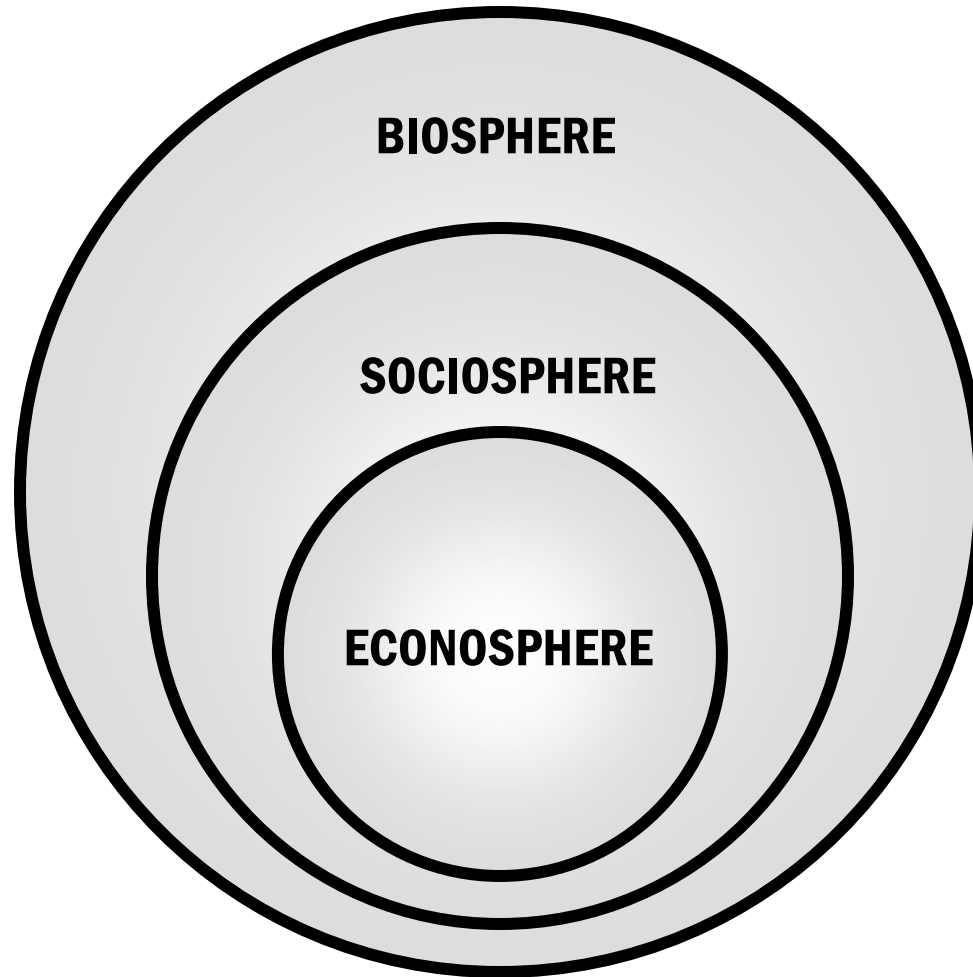
Major Global Change Drivers

1. Degradation of global ecologies
2. Accelerating global climate change
3. Increasing trends in fossil fuel prices
4. Declining regional supplies of fresh water
5. Critical global food supply shortage
6. Atmospheric and water-borne toxic substances
7. Geopolitical shifts and disruptions
8. Wide swings in economic activity
9. Advances in computers & information technology

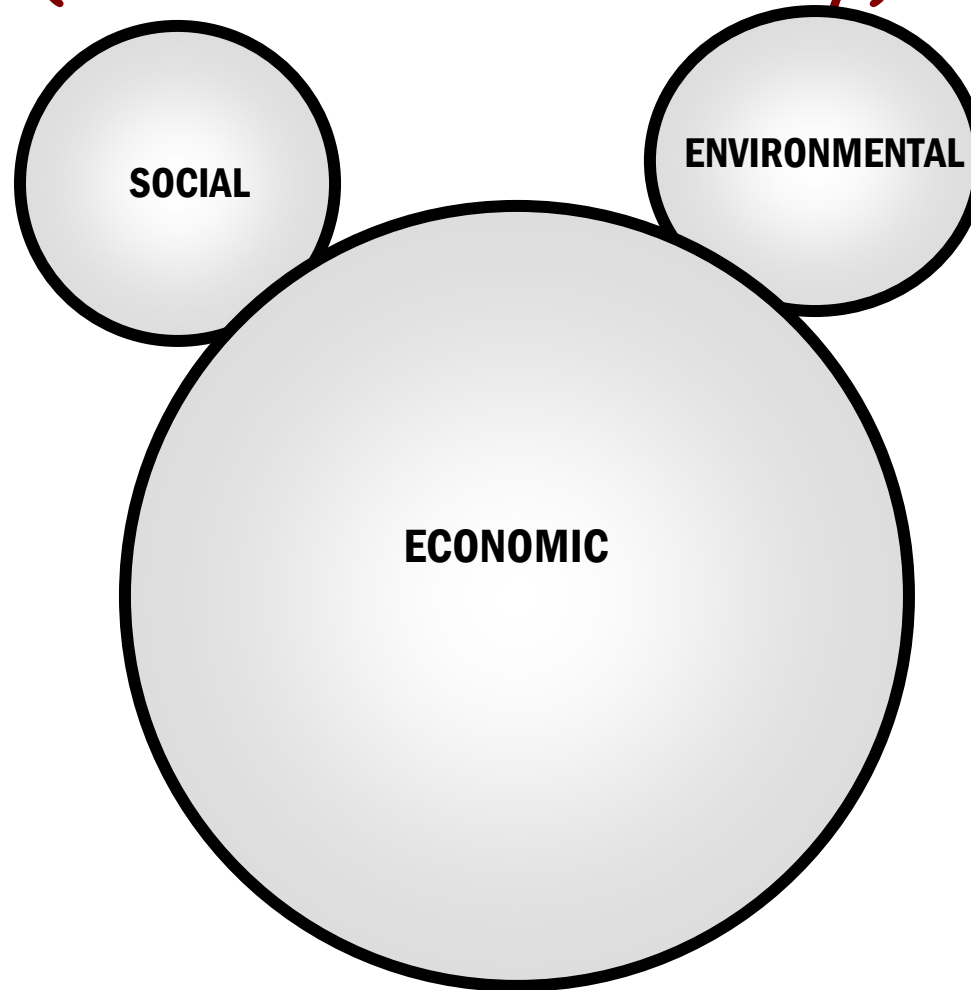
The Problem

The root cause of
unsustainability - and of
climate change - is our
approach to economics

Strong Sustainability model



Mickey Mouse version of the Triple Bottom Line (Weak Sustainability) model

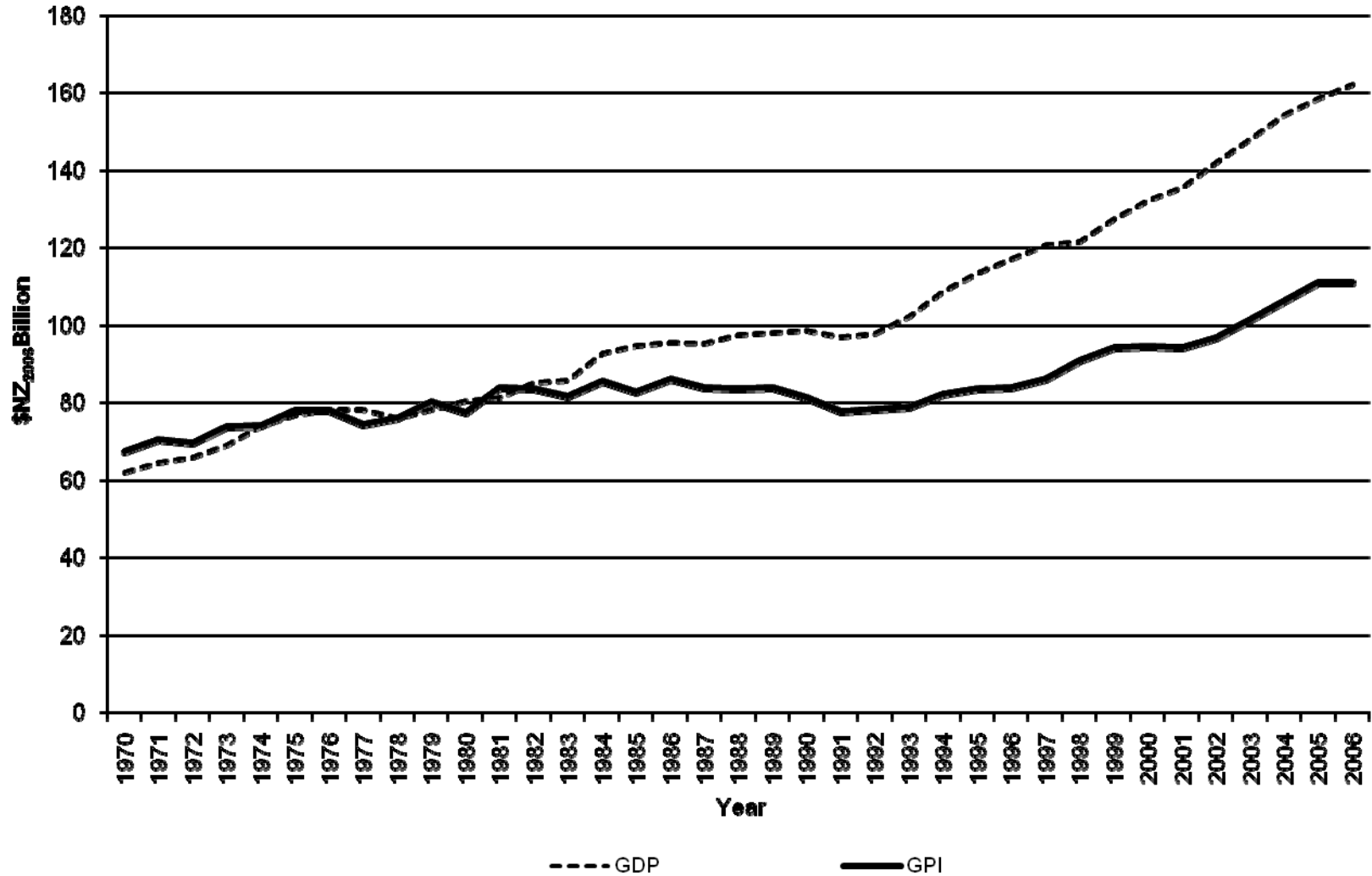


(Business as usual)

Limits to Growth?

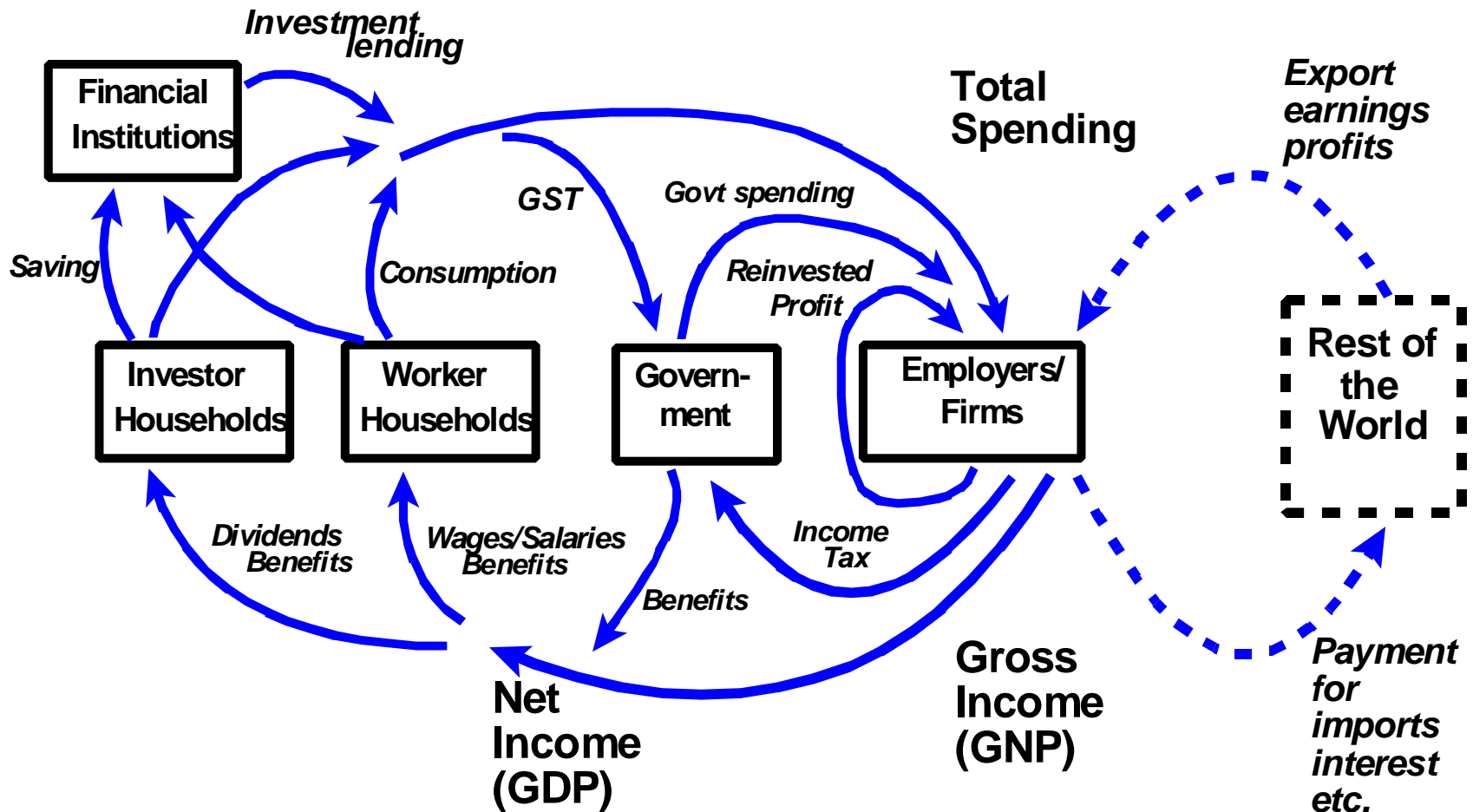
- 1970s: There are no limits
- 1980s: There might be limits but they are far away
- 1990s: The limits might not be too far away, but the market will solve the problem
- 2000s: The markets might not function, but technology will save us
- *(2010s: Nothing can save us, let's party!)*

NZ GPI versus GDP - EERNZ

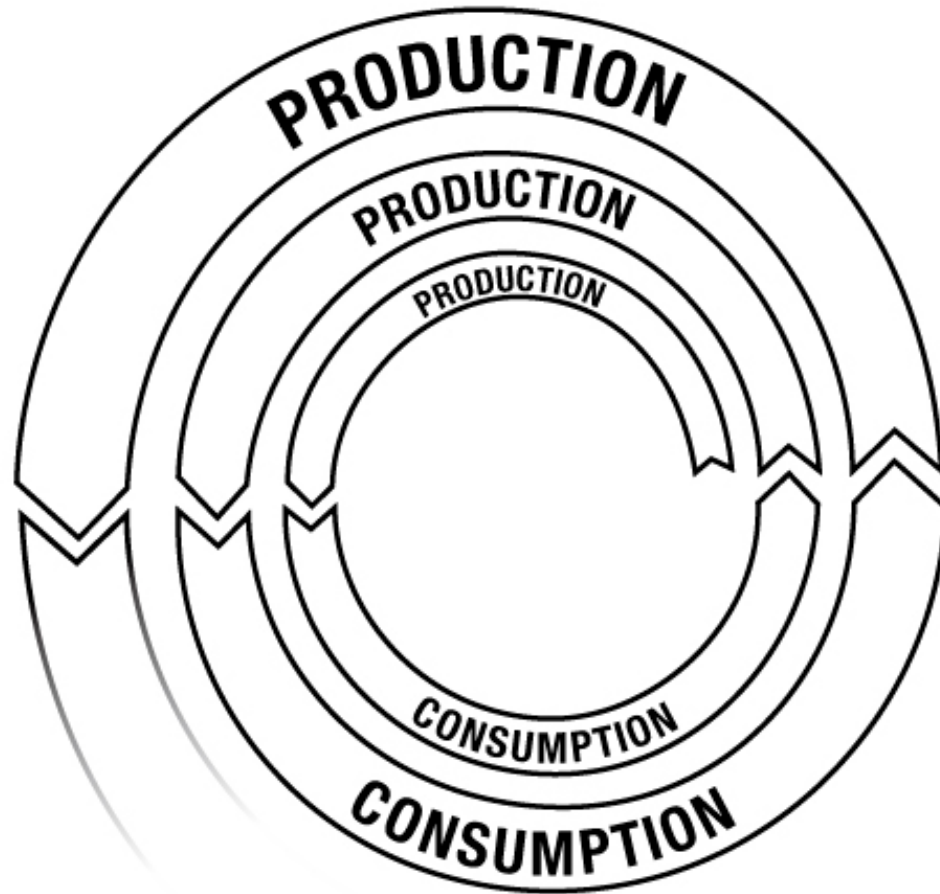


Adapted from: Forgie, V.E., McDonald, G.E., Zhang, Y. Patterson, M.G. D.H. Hardy. 2008. In '[Sustainable Welfare in the Asia-Pacific: Studies Using the Genuine Progress Indicator](#)' pp-126-152. Lawn, P.A. and Clarke, M. Edward Elgar, Cheltenham

Circular flow macroeconomic model of the NZ economy



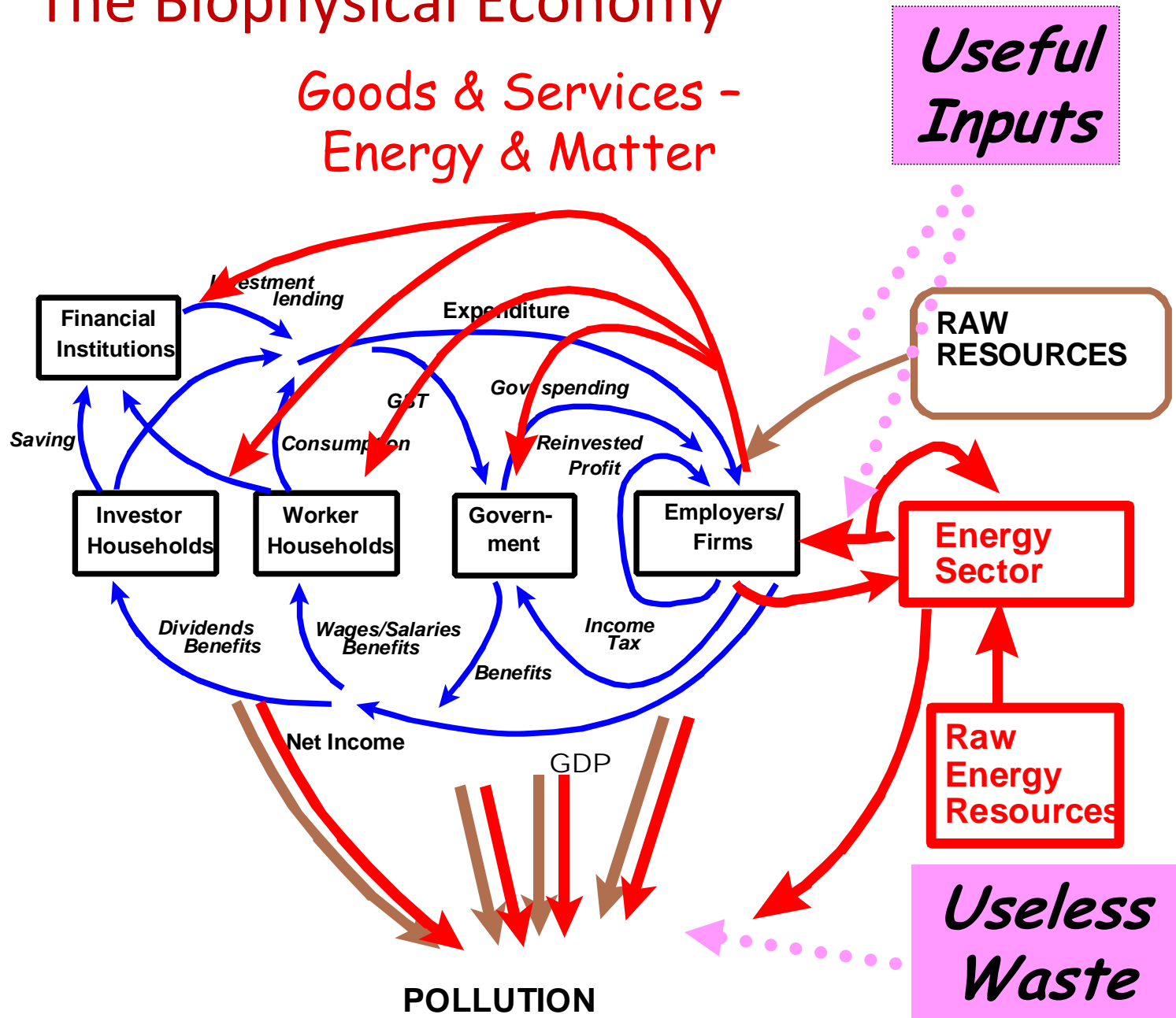
Standard Economics



Daly, 1986

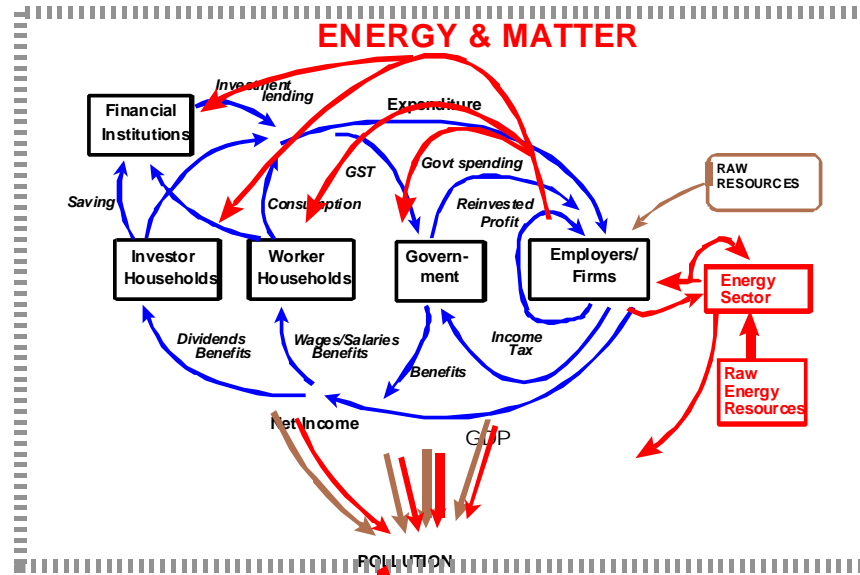
The Biophysical Economy

Goods & Services -
Energy & Matter



Sun

ECOSYSTEM



Ecosystem services

Outer Space

The Dilemma of Economic Growth

Side A

Economic growth is
unsustainable

Side B

Failure to grow is
destabilising

Jackson, 2009; Dietz, 2010

Myths of Neoclassical Economics

1. A theory of production can ignore physical and environmental realities
 - a. The economy can be described independently of its biophysical matrix
 - b. Economic production can be described without reference to physical work
2. A theory of consumption can ignore actual human behaviour
 - a. Homo Economicus is a scientific model that does a good job of predicting human behaviour
 - b. Consumption of market goods can be equated with well-being and money is a universal substitute for anything.

Gowdy, Hall, Klitgaard and Krall, 2010

**Economics trumps the
environment**

Yeah Right.



3 Parts to a New Economics

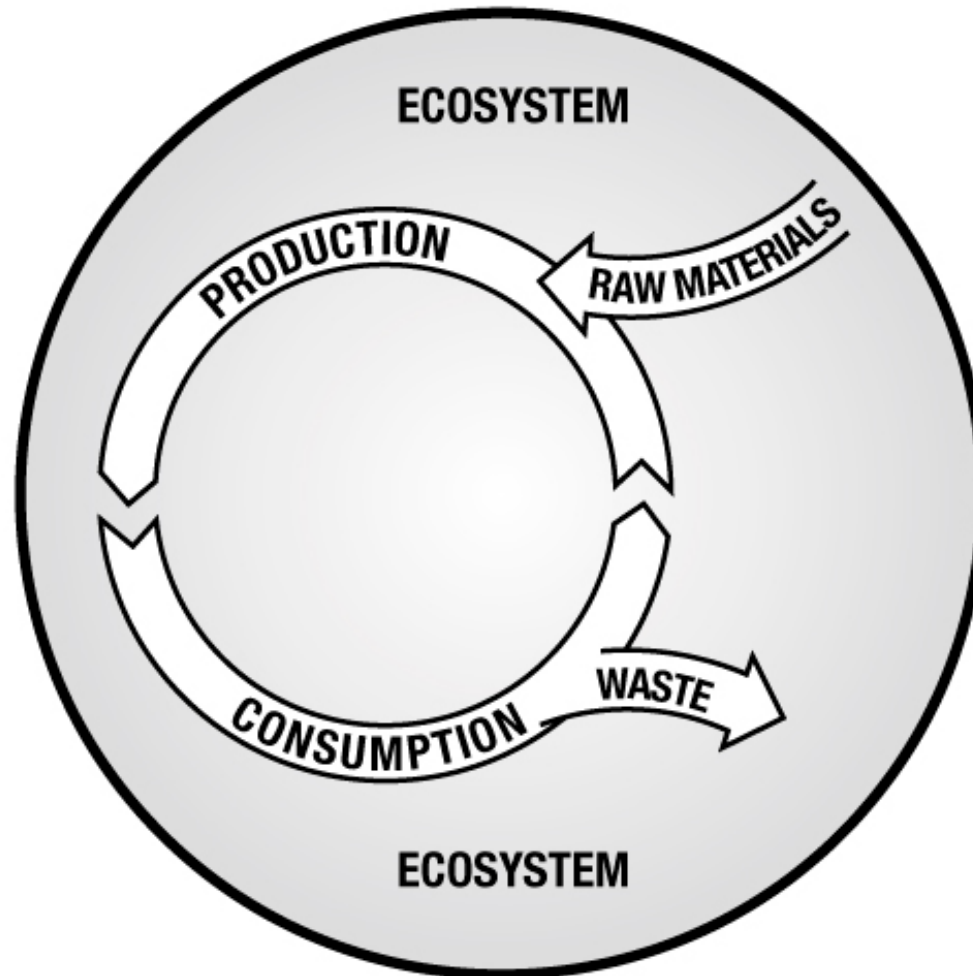
1. Use NCE wherever it is applicable, but include e.g. laws of thermodynamics to incorporate the reality of limits
2. Incorporate modern psychology and sociology
3. Clarify the ethical imperatives under which humans actually operate

Ethics and Values for Strong Sustainability

A very different ethical stance is needed by people committing to strong sustainability; ethics that:

- Ensure (universal) material Basic Needs of people are satisfied
- Place much greater importance on non-material sources of happiness
- Remove the perceived linkage between economic growth and success
- Affirm the deep interdependence of all people and mutual respect between all
- Value nature intrinsically through knowing that human society and its political economy is an integral and interdependent component of nature and the ecosphere of Earth. Humans have reverence for nature and consider themselves stewards of it.

Steady-State Economics



Daly, 1986

Enough is Enough

Ideas for a Sustainable Economy in
a World of Finite Resources



**The Report of the Steady State
Economy Conference**



**Economic
Justice
For All** 

A GUIDE TO

WHAT'S WRONG WITH ECONOMICS

EDITED BY
EDWARD FULLBROOK

THE ENVIRONMENTAL ENDGAME



MAINSTREAM ECONOMICS, ECOLOGICAL
DISASTER, AND HUMAN SURVIVAL

ROBERT L. NADEAU

'Business as usual is not an option.'

Oliver James, author of *Affluenza*



PROSPERITY WITHOUT GROWTH

Economics for a
Finite Planet

**TIM
JACKSON**

WITH FOREWORDS BY
HERMAN DALY, BILL MCKIBBEN,
MARY ROBINSON & PAVAN SUKHDEV

EE

Managing Without Growth

Slower by Design, Not Disaster

Peter A. Victor



Advances in Ecological Economics

SERIES EDITOR: JEROEN C.J.M. VAN DEN BERGH





“Let’s concentrate on technology for a couple of thousand years, and *then* we can develop a value system.”