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“Ethical and Institutional Issues in Ecological Economics” by Neva R. Goodwin

The ethical and institutional issues discussed in the articles summarized in this section raise a number of recurrent themes. These include the future (and how people of the present do and should relate to it); questions about how to mitigate the effects of the pressures of human population and human technology upon our natural environment; and the combined tendencies towards globalism in some aspects of human affairs, and towards localism in others.

These are, of course, among the major themes that have given rise to the environmental movement itself, as well as to the discipline of ecological economics. The environmental movement has generated, by now, a fair amount of knowledge about some of the practical things (such as recycling and reduced packaging, improved public transportation, and more rational pricing of energy and natural resources) that should be done to alleviate the dangerous stresses now being placed by humanity upon our environment. The question remains, however: how much does "society" care about alleviating these stresses? What costs will be accepted by "society" - and how should those costs be allocated?

Here we come to what has always been at the heart of economics: the issue of motivation. The entire edifice of neoclassical economics is formally supposed to be derived from a single statement about human motivation - the "rationality postulate" - which says that "rational economic man maximizes his (perceived) utility." The logical objections to this axiom emphasize, in particular, the tautological way in which each of the critical concepts it contains ("rationality," "maximization," and "utility") is defined in relation to the others. While such a tautological character establishes an excessive degree of internal consistency, so that it becomes impossible to break out of this tight logical loop to say anything about the real world, another set of problems (of inconsistencies between the theory and the real world, or "external inconsistency") arise when the critical concepts are defined separately. Then (as observed by Nobel laureate Herbert Simon) it turns out that maximization is usually not a feasible behavior; utility is unobservable and immeasurable; and rationality, in the neoclassical definition, has an inadequate ethical grounding.

This last problem is the one which is most critical for the big issues tackled in this section. A rationality that is poorly matched with the ethical system to which it looks¹ can neither generate nor support the final principles, or goals, that must be brought into play if we are to bring genuine, and widely valued, human concerns to bear on questions about the future, about the

impact of humanity upon our natural environment, or upon the tensions between globalism and localism.

In fact, neoclassical economics does not have a monopoly on ways of understanding rationality (although, during much of the 20th century, it has come close to achieving such a monopoly position in Western, industrialized cultures). One alternative will be considered in the following discussion, which will contrast precautionary rationality with neoclassical rationality. The latter stems from the rationality postulate, cited above; its implications will be spelled out further below. The first is named after one of the most powerful propositions of the environmental movement, the precautionary principle. That says, in effect: "since we do not know everything about the natural systems on which we are dependent, it is only rational to be extremely careful; where we cannot predict the ecological effects of our actions, we should assume that they are dangerous until proved otherwise." (For more on the precautionary principle, see Perrings, 1991, summarized in Section III of this volume.) Evidently this kind of rationality is, to begin with, closely related to the primary goal - of species survival - that has been bred into all living beings through the process of evolution.

The simplest way to see the contrast between these two approaches is to consider what each would consider *irrational*:

- 1) "It is irrational to do something that will harm you."
- 2) "It is irrational not to do what you want."

Both of these appear to be simple, obvious statements, not hard to agree with. However, they lead in what ultimately turn out to be dramatically different directions. Precautionary rationality, in pointing to actions that perhaps should not be taken, is open to such concepts as responsibility, and even sacrifice. Neoclassical rationality is all too easily translated into the dominant commercialized value of modern societies: "doing what you want" very often is assumed to mean, simply, "having fun."

How can it be that two apparently simple and compatible statements about rationality can lead in such different directions as *responsibility* versus *fun*? One explanation for this bifurcation comes from the verb tenses of the contrasting statements about what is irrational. The first includes attention to the future - "something that *will* harm you"; the second speaks only to the present.

Neoclassical rationality is not supposed to be especially short-sighted, any more than it is supposed to be purely local or selfish. Indeed, in formal writings about rationality, this postulate, like everything else that is formally admitted as a part of the structure of the theoretical system of neoclassical economics, is put forth as value-neutral.² Neoclassical rationality is about maximizing utility: utility can be whatever you wish; if you feel better when you do right, then ethics can enter your utility function.

That is the theory. However, ethics are, most often, politely ignored by neoclassical economists,³ in a context that, by default, leaves ethics to be dominated by preferences; as Talbot Page (summarized in this section) says: "within the utilitarian framework used by neoclassical economics, 'preferences are all.' They soak up and explain all forms of choice and behavior at

the individual level."(Page, 49) Thus, mainstream economic modeling implies that ethics only affect economic behavior when they enter individual utility functions; and they only enter individual utility functions because they are chosen on the basis of preferences.

Ecological economics, by contrast, has apparently accepted some additional assumptions. Although these have not been explicitly laid out in the form in which they will appear here, it is easy - and useful - to infer these assumptions, in the form of one interpretation of facts and two psychological postulates:

- 1) *We are facing a serious environmental crisis* (whether already arrived or just impending; the article by Goodland, summarized in Section I, is a good expression of this belief).
- 2) *It is natural and normal for human beings to care about the crisis and its opposite (healthy survival)*: i.e., we assume that it matters - from a broader, longer term perspective than that of a single individual. (The perspective may be that of the human species; it may be that of the biosphere; or some, rather radical views may even attempt to represent the perspective of a portion of the natural world that does not include our species - seen, in this radical view, as a dangerous and destructive cancer upon the rest).
- 3) *It is natural and normal for human beings to adopt the position of precautionary rationality*, which says that it is foolish not to bend our efforts to avert or alleviate this crisis.

Thus, by contrast to the neoclassical position which claims value-neutrality, we see ecological economics as coming from a worldview where a belief in ecological crisis is related to overt basic values that are assumed to be widely shared among normal, sane members of our species. These assumptions are not, however, sufficient to determine what kinds of responses, including institutions, are required to deal with the crisis. Such a determination requires a more formally worked out ethical system.

There are a number of ethical systems that are potentially compatible with the ecological economics worldview. The articles summarized in this section have been selected, in part, because they help to clarify the options among several more or less formal ethical positions that are relevant to the issues of ecological economics. The following are some of the leading candidates:

- 1) *Utilitarianism* is the ethical system that has informed the neoclassical value system. It is described by Talbot Page, especially with a view to what the classical and neoclassical versions of utilitarianism permit and/or require as ways of achieving intergenerational justice.
- 2) "*Justice as opportunity*" is proposed by Page as an alternative approach - one that includes a more realistic theory of mind and of human motivation than the utilitarian, and that emphasizes the resource base as a special concern of both inter- and intragenerational justice.
- 3) J. Ronald Engel claims that there is an *ethic of sustainable development* (in the introduction to a book by that name). This ethic was characterized at the Ottawa Conference on Conservation and Development as resting upon five criteria: integration of conservation and development; satisfaction of basic human needs; achievement of equity and social justice; provision for self-determination and cultural diversity; and maintenance of ecological integrity (Engel, 8-9). Engel adds that "the key to a normative understanding of sustainable development is to be

found in the idea of 'individuals-in-community'; this idea is held up as a leading fact about life by ecologists in general, and may therefore also be expected to play an important role in the worldview of ecological economists. Hence, "one task on the agenda of the ethics of sustainable development is to reconceptualise our inherited moral ideas so that they can do justice to the full complexity of interactions within and between biological and social communities."(Engel, 19)

- 4) *Religious Traditions* have been called upon by various authors, some claiming that religions are the cause of the faulty value-systems which have brought about the environmental crisis; others finding in the same or other religious traditions the ethical system that is needed as a basis for institutional and other solutions. E.F. Schumacher describes an ethical system based on the Christian beliefs that man was created in order to "save his soul," and that "all the other things were created in order to aid him."(Schumacher, 129) Such a homocentric view has been criticized by Lynn White, Jr. and others as the problem, not the solution (see the summary of White's famous article in Section D); however, Schumacher derives from it his favorite four criteria of smallness, simplicity, capital saving and non-violence. (He derives rather similar criteria from Buddhism, in an article on "Buddhist Economics."⁴)

Other religious traditions, associated with the native peoples of the Americas, the Orient, or other parts of the world, are also often cited as sources for ecological values, and sometimes for ethical systems. This approach also has its critics. A particular strain of environmentalism, called eco-radicalism by Martin Lewis, is described by him as using an often uninformed or misinformed idealism of native religions as a contrast to modernity, in which the West is singled out as "the sole source of environmental degradation, and indeed, in the most extreme examples, as the single repository of human evil."⁵

- 5) J. Baird Calicott has written a long article which examines a number of different ethical systems that can serve as the basis for an environmental ethic. In addition to deep ecology and two versions of the Judeo-Christian tradition ("stewardship" and "citizenship," as expressed in various parts of Genesis), he also considers *traditional humanism*, which he finds problematical on account of its anthropocentrism, and *ecofeminism*, which he sees as suffering from a "theoryless pluralism" that, in refusing to choose between different, culturally based moral traditions, ironically leaves might as the ultimate arbiter of right.

In the portion of his article which has been summarized for this section, Calicott proposes another alternative, based upon Aldo Leopold's land ethic; he calls it *ecocentrism*. This term may be misleading, as it implies an emphasis upon ecosystem *rather than* on humanity. In fact, "the land ethic makes explicit provision for respect for individual members, both human and nonhuman, of the biotic community as well as for the community as a whole. . . . instead of overriding familiar social ethics, the land ethic creates additional, less urgent obligations to additional, less closely related beings. . . . The land ethic obliges us to look out for the health and integrity, the diversity and stability, of nature in a way that is consonant with these prior duties to human beings and human aspirations."(Calicott, 375-6)

The first four articles summarized in this section have been selected as especially well-argued representatives of positions that are important for ecological economists to take into account. The remaining summaries are of articles which take more or less for granted the importance of these ethical issues and pose the institutional question: How should we organize our society to take such ethical issues into account?

Thus, the debate between Stone and Elder, on whether we should understand trees as having rights, starts with some fairly similar beliefs about the goals; it is the question of how to reach the goals that is most at issue. In debates such as this it often appears that there is most agreement upon the long run, where the requirements for a healthy economy seem to converge with those for a healthy ecosystem. The greatest divergence seems to be in the medium run - after we will have presumably taken the obvious "win/win" first steps, but while short term self-interest still asserts itself in opposition to long-run convergence. An underlying tension is the assumption accompanying neoclassical rationality, that people are *only* motivated by self-interest (which is usually assumed, in practice if not in principle, to operate in a short-term, narrow way), as opposed to the assumptions made outside of the neoclassical social sciences, that there is a broader range of motivations to take into account.

Brian Barry's article centers on the issue of fairness - a subject about which we find the comment, in an introductory economics textbook: "the concept of fairness is indeed a difficult one for an economist to treat. There is no economic definition of fairness, to be sure."⁶ Barry asks "What happens when the principles for justice between generations are combined with moral principles governing distribution among people who are contemporaries, whether they live now or in the future?" (Barry, 25)⁷ The challenge is thrown down for ecological economists to go beyond the neoclassical approach, where it is commonly recognized that the emphasis upon efficiency leaves out questions of equity.

The last two articles summarized in this section provide especially good examples of the ethical and institutional issues that ecological economists must take into account when thinking about sustainable development. Miguel Altieri and Omar Masera make interesting and important connections among three ways of approaching these issues: sustainable development; the activities of NGOs (especially in Latin America), and a bottom-up, grass-roots approach. They propose practical steps to enhance the effectiveness of each approach, stressing, in particular, two emerging evaluation procedures: participatory rural appraisal and natural resource accounting. (This emphasis is a good start toward addressing the problem mentioned earlier, of naive expectations about simple translations from values to prices.)

The final summary, of an article by Jonathan Harris, takes a more global look at some of the issues of sustainable development, considering who (or what institutions) can be entrusted to implement a sustainable development strategy for the benefit of the people who most need it, now and in the future. Harris stresses that the first line of answers economists have given to these conflicts are not in themselves sufficient. Specifically, markets and prices alone will not create the appropriate incentive structures to address simultaneously the diverse goals, for they do not amount to feedback systems which are sufficiently sensitive, forward looking or intelligent to convey all of the critical information. Similarly, local internalizing of externalities does not necessarily solve global problems.

Like Altieri and Masera, Harris urges a reassessment of the Keynesian perspective that has been out of fashion for the past decade and a half. He proposes a sweeping reassessment of global institutions (i.e., the World Bank, the IMF and GATT) and the establishment of new institutions that will promote Keynesian tools for needs- (as opposed to wants-) focused development

simultaneously with "the new functions of resource conservation, waste management, environmental protection, and planning for ecological sustainability."(Harris, 119)

Harris notes that the efforts and costs involved in creating such new institutions, oriented especially toward the protection and enhancement of entities that now lack legal rights and of people who are without economic power, "would require the replacement of the 'yuppie' ethic with a revitalized 'Peace Corps' ethic."(Harris, 121) In other words, the need is to replace neoclassical rationality with precautionary rationality.

Is this likely to happen in the world? What is being proposed here is a shift in ways of thinking - specifically, to understand our rationality in precautionary rather than neoclassical terms. Such a shift is proposed as the pivotal connection between how we (intentionally) act and how we (instinctively) react. Where the need is for a change in ways of thinking, it is appropriate to look to thinkers (for example, academics and other writers) to lead the way. Ecological economics is a valuable force fostering the new ways of thinking that are essential for the kinds of ethical and institutional change required to respond to present and looming ecological crises.

Notes

1. While utilitarianism is the ethical system cited by neoclassical economists when their ethical grounding is challenged, there is, in fact, a serious discontinuity between that ethic (which assumes altruism, both in those who adopt "the greatest good for the greatest number" as their goal, and in those whose actions are determined by this goal) and neoclassical rationality (which formally permits altruism, but certainly does not assume it, and in some ways actually works to discourage it). Unfortunately, neoclassical economics' claim to value-neutrality has obscured this discontinuity, so that the limitations of utilitarianism as a basis for any economic theory (as spelled out, for example, in Talbot Page's article) have not been confronted or dealt with in much of the theory that supposedly relies upon this ethic. The exceptional economist who has done the most to overcome this philosophical lacuna is Amartya Sen.
2. Here the *structure* of the system of neoclassical theory is contrasted with its *subject matter*. The latter does not, of course, have to be value-neutral, since it importantly includes the value-laden preferences of all economic actors.
3. There are, of course, exceptions. Again (as in note 1), the most obvious modern one is Amartya Sen. We have to go back to Alfred Marshall (1842-1924) to find an economist who was a leader in the field and who considered ethics to be of central concern. Marshall, however, did not attempt to model ethics; he continued to resist (even as he helped, ironically, to foster) the trend toward accepting the false syllogism: everything of importance to economics must be represented through formal models; whatever cannot be included in a formal model must not be of economic importance.
4. E.F. Schumacher, "Buddhist Economics," *Resurgence I* (January-February 1968); reprinted in *Economics, Ecology, Ethics: Essays Toward a Steady-State Economy*, ed. Herman E. Daly (New York and San Francisco: W.H. Freeman and Company, 1980), 138-145.
5. Martin Lewis, *Green Delusions* (Durham: Duke University Press, 1992), 244.
6. Roger LeRoy Miller and Robert W. Pulsinelli, *Understanding Economics* (St. Paul, MN: West Publishing Company, 1983), 48.
7. In relation both to Berry's article and to Stone's, the reader might wish to be aware of the classic essay on the legal rights of future generations: Edith Brown Weiss, "The Planetary Trust: Conservation and Intergenerational Equity," in *Ecology Law Quarterly* ii (1984): 495-581.